Supreme Court, U.S.
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In The

Supreme Court of the United States

MEE INDUSTRIES, INC.,

Petitioner,

v.

DOW CHEMICAL COMPANY,

Respondent.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Eleventh Circuit

PETITION FOR WRIT OF CERTIORARI

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QUESTIONS PRESENTED

In *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242 (1986), this Court held that, in ruling on a motion for summary judgment, a court must view the evidence presented through the prism of the substantive evidentiary burden.

1. In applying this Court's decision in *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242 (1986), how is a clear and convincing evidentiary standard to be considered in ruling on a Rule 50 motion for judgment as a matter of law without engaging in impermissible weighing of evidence?

2. In applying this Court's decision in *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242 (1986), is a court required to draw all justifiable inferences in favor of the non-moving party ***before*** the clear and convincing standard of proof is taken into account, or may the court determine that inferences which are justifiable under a lesser standard of proof are not "justifiable" inferences when the clear and convincing standard of proof is considered?

3. In applying this Court's decision in *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242 (1986), is it proper for a court to consider the closeness of the issues on an affirmative defense on which the ***moving party*** has the burden of proof, when determining whether the non-moving party has presented sufficient evidence on an issue as to which the non-moving party has the burden of proof by clear and convincing evidence?

CORPORATE DISCLOSURE STATEMENT

Petitioner Mee Industries, Inc. is a family owned private corporation. There is no parent or publicly-held company owning 10% or more of petitioner's stock.

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INTRODUCTION

Lower courts must deal with Rule 50 motions and Rule 56 motions on a daily basis. Over two decades ago, this Court held that a court must "view the evidence presented through the prism of the substantive evidentiary burden" when a clear and convincing evidence standard applied to the issues involved in a Rule 56 motion or Rule 50 motion. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 254 (1986). Although the Court's opinion was replete with language to the effect that a trial court is not to weigh the evidence when deciding such motions, Justice Brennan's dissenting opinion noted "the Court's opinion is also full of language which could surely be understood as an invitation – if not an instruction – to trial courts to assess and weigh evidence much as a juror would." 477 U.S. at 266 (Brennan, J., dissenting). This Court's opinion in the *Liberty Lobby* case did not tell a court ***how*** a clear and convincing evidentiary standard is to be considered, and federal and state courts have struggled to apply the *Liberty Lobby* standard. There is a split among state courts, with some states refusing to adopt this Court's holding because it necessarily requires a weighing of the evidence. In the present case, a Rule 50 motion was denied on an intentional tort claim under a lesser standard of proof, but based on the same evidence, a Rule 50 motion was granted on the question of punitive damages, where the clear and convincing standard of proof applicable to a finding of intentional conduct was held to be determinative. This case

presents the perfect opportunity for this Court to resolve confusion in the lower courts concerning how to apply the *Liberty Lobby* decision without engaging in impermissible weighing of evidence, and whether the substantive evidentiary standard makes a difference in the determination of which inferences are justifiable.

OPINION BELOW

The decision of the court of appeals is reported at 608 F.3d 1202, and is reproduced in the Appendix herein at App. 1-42. The decision of the U.S. District Court for the Middle District of Florida is not officially reported but is available at 2008 U.S. Dist. LEXIS 116722, and is reproduced in the Appendix at App. 43-63.

JURISDICTION

The court of appeals issued its decision on June 15, 2010. Appendix (hereafter "App.") at 1. Respondent's timely petition for rehearing was denied on August 4, 2010. App. 64. This petition for a writ of certiorari has been timely filed within 90 days of the decision denying the rehearing petition. This Court's jurisdiction is invoked under 28 U.S.C. §1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS

"In suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise reexamined in any court of the United States, than according to the rules of the common law." U.S. CONST. amend. VII.

"A defendant may be held liable for punitive damages only if the trier of fact, based on clear and convincing evidence, finds that the defendant was personally guilty of intentional misconduct or gross negligence." Fla. Stat. §768.72(2) (1999).

The Florida statute defines "intentional misconduct" and "gross negligence" as follows:

> (a) "Intentional misconduct" means that the defendant had actual knowledge of the wrongfulness of the conduct and the high probability that injury or damage to the claimant would result and, despite that knowledge, intentionally pursued that course of conduct, resulting in injury or damage.
>
> (b) "Gross negligence" means that the defendant's conduct was so reckless or wanting in care that it constituted a conscious disregard or indifference to the life, safety, or rights of persons exposed to such conduct.

Fla. Stat. §768.72(2)(a) & (b) (1999). The statute is reproduced in full in the Appendix at 66-67.

STATEMENT OF THE CASE

The basis for federal jurisdiction in the district court was diversity of citizenship pursuant to 28 U.S.C. §1332(a)(1). The federal question presented involves the correct analysis for deciding Rule 50 motions (and summary judgment motions where the inquiry is the same), when a clear and convincing evidentiary standard applies.[1]

In the case below, the district court denied a post-trial Rule 50(b) motion by respondent, who was the defendant, finding that the evidence was sufficient to support a jury verdict that respondent committed the intentional tort of malicious prosecution. App. 43. However, on the same evidentiary record, the district court granted a Rule 50(a) motion during trial in favor of respondent, on the question of punitive damages, which required proof of intentional misconduct (or gross negligence) meeting a clear and convincing evidentiary standard. App. 2. The court of appeals affirmed the district court on both issues, finding that there was sufficient evidence to support

[1] *See Jean v. Dugan*, 20 F.3d 255, 262-63 (7th Cir. 1994) (Although state law "controls the substantive issues in this diversity case, the standard for deciding whether summary judgment was appropriate is a matter of federal law.").

the jury verdict on the respondent's liability for malicious prosecution, but that the clear and convincing burden of proof was determinative on the issue of punitive damages. App. 39.

The malicious prosecution action below arose out of a patent infringement lawsuit that respondent Dow Chemical Company ("Dow") filed against petitioner Mee Industries, Inc. ("Mee") in the U.S. District Court for the Middle District of Florida without probable cause, and which was ultimately terminated in favor of petitioner. App. 43-44. The malicious prosecution action was ultimately tried in the same federal court before the same judge who had previously presided over the unsuccessful patent infringement lawsuit. App. 44.

In order to establish liability for malicious prosecution, petitioner presented sufficient evidence to support jury findings that respondent commenced a civil proceeding against petitioner, without probable cause and with malice, causing petitioner to suffer damages, and the civil proceeding was terminated in favor of petitioner. App. 47. At trial, it was undisputed that respondent commenced a civil proceeding against petitioner, causing petitioner to suffer damages, and the civil proceeding was terminated in favor of petitioner. App. 47-48. With respect to respondent's Rule 50 motions, respondent's Rule 50(a) motion during trial did not challenge the evidence supporting a finding of malice, and respondent's post-trial Rule 50(b) motion did not challenge the jury's finding as to malice. App. 48. Respondent

stipulated that petitioner suffered damages, and stipulated to the amount of compensatory damages. App. 48.

The district court bifurcated the trial. In the first phase, the parties presented all evidence of liability regarding entitlement to both compensatory and punitive damages, but the jury verdict was limited to liability for compensatory damages. If the jury came back with a verdict for petitioner in the first phase, the jury was then to be asked to consider punitive damages in the second phase. However, while the jury was out considering its verdict for the first phase, the district court granted respondent's Rule 50(a) motion on punitive damages and took that issue away from the jury. The district court concluded that based on the evidence, no reasonable juror could find by clear and convincing evidence that the requirements for punitive damages had been met. App. 14.

The jury returned a verdict for petitioner, concluding that respondent had instituted the patent infringement lawsuit against petitioner without probable cause and had not relied upon advice of counsel in doing so. App. 44.

Respondent's post-trial Rule 50(b) motion raised only two issues: (1) whether there was sufficient evidence to support a jury finding of no probable cause, and (2) whether no reasonable jury could have found against respondent on respondent's affirmative defense of advice-of-counsel, on which the moving party respondent bore the burden of proof. App. 44 &

48; App. 14. Both the district court and the court of appeals held that there was sufficient evidence to support the jury's finding that respondent filed the patent infringement lawsuit without probable cause. App. 53-54 & n.5; App. 31.[2] Both the district court and the court of appeals held that respondent failed to carry its burden of proof on its affirmative defense that it relied in good faith on the advice of counsel in filing the patent lawsuit against petitioner. App. 61-62; App. 37-38.

Petitioner was entitled to submit the issue of punitive damages to the jury if the evidence was sufficient to support a finding of "intentional misconduct" by respondent within the meaning of Fla. Stat. §768.72(2)(a) (1999), under a clear and convincing evidentiary burden of proof.[3] This reduced to the question of whether respondent had actual knowledge there was insufficient probable cause to support respondent's patent infringement claims against petitioner, because respondent was well aware of the high probability that petitioner would be forced to incur a million dollars or more in legal fees to defend a patent case, and intentionally pursued the patent case despite that knowledge. App. 51-53.

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[2] The district court found that "[a]mple evidence supports the jury's conclusion on the issue of probable cause." App. 52.

[3] Alternatively, if petitioner provided clear and convincing evidence of "gross negligence" within the meaning of Fla. Stat. §768.72(2)(b) (1999), the question of punitive damages should have been submitted to the jury.

A key witness on the question of respondent's actual knowledge was William Miller ("Miller"), an experienced patent attorney who was an employee of respondent, and who had shepherded respondent's patent applications through the U.S. Patent and Trademark Office that resulted in the two patents asserted against petitioner. App. 57. Miller served as the "point man" at respondent for prosecution of the patent applications, and had been involved in the initial drafting and filing of the patent applications. App. 57. Miller had been involved in the initial drafting of the required patent claims[4] particularly pointing out and distinctly claiming the subject matter which respondent regarded as the invention. Miller had "lived and breathed" with the patent claims for "quite some period of time," and those patent claims defined what subject matter could be accused of infringement of respondent's patents. App. 57.

In the patent infringement action, respondent accused petitioner of infringement of U.S. Patent No. 5,930,990 (the "'990 Patent") and U.S. Patent No. 5,867,977 (the "'977 Patent"). App. 43-44. Both patents were directed to increasing the power output of gas turbines. Both involved methods for adding water to a gas turbine's intake air stream in large enough quantities that at least some water would not

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[4] 35 U.S.C. §112 (2007) ("The specification [of a patent] shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.").

evaporate before entering the compressor, creating an effect known as "wet compression." App. 44. Respondent's claimed invention involved the addition of nebulized water to a gas turbine in sufficient amounts to achieve "wet compression," and the water had to be introduced in increments and in such a manner as to avoid certain harmful results (destructive thermal stresses in one patent, deformation of the angular housing in the other). App. 52. Achieving "wet compression" by adding water incrementally was referred to as "incremental wet compression." App. 21.

The evidence at trial clearly established that respondent knew "incremental wet compression" itself was prior art, because respondent admitted it. App. 52 & n.4; App. 57.[5] The evidence at trial clearly showed that Miller knew that "incremental wet compression" alone would not infringe respondent's patents, because Miller admitted it. App. 57 ("Miller was therefore aware that incremental wet compression alone would not infringe the Dow Patents . . . "); App. 29 (Respondent "Dow conceded at trial that the use of [petitioner's] systems for incremental wet

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[5] In addition to Miller, respondent's engineer named Steve Jasper admitted at trial that "wet compression" was old technology and unpatentable. App. 53 ("[W]et compression . . . was old technology and unpatentable. Jasper, among others, admitted as much at trial."). Jasper was described as "a Dow technical expert." App. 4.

compression alone was not a sufficient basis for infringement.").

More importantly, respondent's employee Miller knew that, in prosecuting the applications for both patents that were asserted against petitioner, respondent had repeatedly tried to claim a method for performing "incremental wet compression" without any further limitations, and Miller knew that the patent examiners had refused to allow such a claim in either of respondent's patent applications because "incremental wet compression" was disclosed in the prior art. App. 57. Consequently, respondent's experienced patent attorney Miller knew that respondent could not expand the scope of the patent claims by attempting to construe the patent claims in either patent to cover only "incremental wet compression," since respondent had been denied patent claims of that scope, and had therefore narrowed the scope of its patent claims in order to obtain the allowance of both patents asserted against petitioner. App. 57; App. 29. *See also* App. 38 ("In this case, [respondent] Dow possessed extensive knowledge of the background technology, the history of its patents, and issues of patent law . . . ").

Miller knew that respondent never possessed and never acquired any evidence of infringement. App. 61-62. The district court judge, who presided over both the original patent case and the subsequent malicious prosecution case, found: "In its research prior to filing the Patent Case, and indeed throughout the trial in that case, [respondent] Dow never produced any

evidence that the limitations of the [patent] claims at issue had been met by the use of any of [petitioner] Mee's equipment." App. 53. In addition to holding that there was sufficient evidence to support the jury's finding that respondent lacked probable cause to file the patent infringement lawsuit against petitioner, the district court judge confirmed that if the decision had been one for him to resolve, he would have reached the same conclusion.[6] App. 53-54 n.5.

There was evidence produced at trial that Dow considered Mee a competitor that should either be forced to pay Dow for a license or get out of the market for power augmentation technology. App. 61. The evidence supported a reasonable inference that respondent Dow took several steps primarily if not entirely for the purpose of causing financial harm to petitioner Mee. App. 61. Respondent sued one of petitioner's customers, *i.e.*, Florida Power Corporation ("Florida Power"), in the same lawsuit filed against petitioner.[7] App. 43. The district court found:

> At least arguably, Dow took several steps primarily if not entirely for the purpose of causing financial harm to Mee. For example,

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[6] This was in response in respondent's argument that probable cause was an issue for the court to decide, and not for the jury to decide. Respondent waived this issue by failing to object to the jury instructions and verdict form submitting this question to the jury. App. 53-54 n.5.

[7] The patent infringement lawsuit terminated in favor of Florida Power as well. App. 44.

> Dow chose to sue the California-based Mee in Florida, rather than in one of numerous other states in which Mee had customers – and ***with absolutely no evidence that Florida Power was even using Mee's equipment for wet compression***. (When asked why Dow chose to sue in what appeared to be the most expensive possible forum for Mee, Dow's witnesses were unable to articulate a compelling reason.) Dow also sent warning letters to the rest of Mee's customers after filing the Patent Suit, informing them that they might face an infringement suit for using Mee's equipment.

App. 61 (emphasis added). The district court also found that, "Dow sent letters to Mee's customers, warning them that they themselves might face an infringement suit for using Mee's equipment – ***despite a lack of evidence that any of these customers were performing Dow's patented methods***." App. 58 n.7 (emphasis added).

The letters that respondent sent to all of petitioner's customers advising them that they might also be infringing respondent's patents, were sent out shortly after the district court denied respondent's motion for a preliminary injunction and concluded that respondent was not likely to prevail on the merits. App. 37. "[T]he particular timing of these letters, coming as they did after the district court had already told Dow that it had failed to show a likelihood of success, could have led the jury to conclude that Dow's purpose was not to vindicate its legitimate

patent rights, but instead to cause Mee financial harm." App. 37.

The district court held that the evidence was sufficient to support a reasonable inference by the jury that these were "tactics employed [by respondent] for the purpose of ratcheting up the economic pressure on Dow's much smaller competitor so as to force [petitioner] out of the power augmentation market, regardless of whether any infringement was occurring." App. 61.

The patent claims asserted against petitioner in the patent infringement lawsuit were method claims. At trial, the parties focused upon a single method claim in each patent. The two patent claims upon which the malicious prosecution case was litigated are reproduced in the court of appeals opinion in the Appendix, App. 8-9, but it is unnecessary for purposes of this petition to discuss the claims in detail, given the admissions and concessions that respondent's witness Miller made at trial.

Significantly, it was undisputed at trial that, if the method claims in respondent's patents were infringed at all, they were only directly infringed by petitioner's customers when the customers used the equipment that the customers purchased from petitioner. At trial, respondent conceded that its infringement case against petitioner was necessarily based only on a theory of indirect infringement. App. 35 (It was "conceded" at trial "that Mee could be liable only for indirect infringement, and that Miller

and Dow were well aware of that fact."); App. 17. Thus, in order to prevail, respondent needed "proof that Florida Power performed all of the elements of this claimed method, and then that Mee either induced or contributorily infringed . . . ". App. 17-18. *See also* App. 52-53 ("Thus, for Mee to be liable for inducing or contributing to infringement of these method patents, Dow needed to show that at least one of Mee's customers was actually doing something more than just incremental wet compression.").

The evidence clearly showed that "Miller and Dow also knew that Mee could not be liable for indirect infringement unless one or more of Mee's customers were actually using the equipment in an infringing manner." App. 35. Miller and respondent "knew that [petitioner's] equipment could be used [by customers] in ways that did not infringe [respondent's] patents." App. 57; App. 31 n.11 ("[T]he record is clear that the Mee equipment had substantial non-infringing uses."). The district court found that, "Dow made no effort to ascertain whether any of [petitioner Mee's] customers actually used Mee's equipment in a manner that would infringe the patents." App. 53.[8] Respondent never produced ***any*** evidence that the limitations of any of respondent's patent claims were

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[8] "The absence of a reasonable suspicion that any customer was directly infringing on the [patent] claims supports a finding that there was an absence of reasonable suspicion that Mee was liable under either theory of indirect infringement." App. 31.

met by the use of petitioner's equipment by any of petitioner's customers. App. 53.

As to the evidence relating to respondent's advice-of-counsel affirmative defense, Miller wrote a letter to an outside attorney named William Schramm ("Schramm"), and obtained an opinion letter from Schramm that respondent's patents were valid and infringed. App. 55. The jury could reasonably draw an inference from a reading of the letter written by Miller that respondent only wanted Schramm's opinion as to the validity of the patents, and not an opinion on the question of infringement. App. 58 ("[A] fair reading of the solicitation letter from Miller at least arguably suggests that the company wanted Schramm's opinion as to the validity of its patents, only, not their possible infringement by Mee.").

The district court and the court of appeals both held that the evidence supported a finding by the jury that respondent knew Schramm's advice was deficient, and the jury could have reasonably concluded that respondent did not rely in good faith on Schramm's advice in filing the patent infringement lawsuit. App. 38; App. 61-62. The district court found:

> Miller knew that when Dow first contacted Schramm, the company had no evidence that Mee or its customers were performing anything more than incremental wet compression. . . . Miller was aware that Dow had not attempted to obtain this evidence by such means as, for example, contacting any

> of Mee's customers (using the list that Mee had provided) to inquire as to the methods they were employing when using Mee's equipment. And Miller knew that Schramm did not obtain any evidence that Mee or its customers were engaging in something more than incremental wet compression.

App. 58. The district court concluded that a jury could have reasonably rejected respondent's affirmative defense based upon "Miller's knowledge that [respondent] never possessed (and Schramm never acquired) any evidence of infringement." App. 61-62.

Finally, Schramm's letter never explicitly discusses any theory of indirect infringement, which was a crucial point required in order to have probable cause to sue petitioner. App. 36. The court of appeals held, that "[i]f the jury concluded, as it reasonably could, that Schramm did not consider indirect infringement at all, then a reasonable jury could have concluded that Dow did not rely in good faith on the opinion, especially in light of Miller's knowledge that Mee could be liable only for indirect infringement." App. 36.

However, the court of appeals concluded, "there is an issue of fact as to whether the [Schramm] letter actually addressed the issue of indirect infringement." App. 36. The court of appeals based this conclusion on the fact that Schramm's letter mentions a User Guide for petitioner's equipment. *Id.* But as to the User's Guide, the court of appeals said that it provides further evidence that petitioner's systems

could be used to achieve wet compression, and the systems would add water incrementally, but "Dow conceded at trial that the use of Mee's systems for incremental wet compression alone was not a sufficient basis for infringement." App. 29. Therefore, the above-mentioned "issue of fact" was apparently based on a conclusion that a jury might have drawn the inference that the Schramm letter implicitly addressed indirect infringement, because the jury might have drawn the inference that Schramm "may have implicitly interpreted Mee's User Guide as evidencing an expectation on the part of Mee that its customers would use the equipment to avoid or minimize thermal stresses to preserve the structural integrity of the turbine." App. 30.

Based on the above-described evidence, the court of appeals concluded, "the probable cause inquiry in this case presents a close question." App. 31. The court of appeals similarly concluded that the advice-of-counsel "issue also presents a close question." App. 32.

The court of appeals' discussion of punitive damages was brief. The court concluded:

> In this case, the clear and convincing standard of proof required under §768.72 is determinative. Although sufficient evidence was presented to place the issues of probable cause and advice of counsel before the jury, the closeness of those issues confirms that the evidence is insufficient to allow a reasonable juror to find by the clear and convincing

> standard that Dow could be liable for punitive damages. That being the case, it was not error for the district court to grant Dow's Rule 50(a) motion on that issue.

App. 39.

One of these close issues was an affirmative defense as to which respondent bore the burden of proof, and was not an element that petitioner was required to prove as an element of petitioner's claim. Respondent only raised the issue of probable cause on appeal, and did not appeal from the jury's finding of malice or challenge the evidence of intentional conduct relating to respondent's malice.

REASONS FOR GRANTING THE WRIT

This Court's decision in *Anderson v. Liberty Lobby* held that "the determination of whether a given factual dispute requires submission to a jury must be guided by the substantive evidentiary standards that apply to the case." *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 255 (1986). In other words, this Court said, "in ruling on a motion for summary judgment, the judge must view the evidence presented through the prism of the substantive evidentiary burden." 477 U.S. at 254. However, this Court failed to clearly explain how this was to be done. Courts and commentators have found this Court's opinion in *Liberty Lobby* to be confusing and contradictory. As predicted by Justice Brennan's dissenting opinion, *Liberty Lobby* has led "to increased confusion in the district

and appellate courts." 477 U.S. at 265 (Brennan, J., dissenting).

This Court has also held that the inquiry under Rule 56 summary judgment motions is the same as under Rule 50 motions for judgment as a matter of law. *Id.* at 251-52 & 255; *Reeves v. Sanderson Plumbing Products, Inc.*, 530 U.S. 133, 150 (2000) ("[T]he standard for granting summary judgment 'mirrors' the standard for judgment as a matter of law, such that 'the inquiry under each is the same.'"), *quoting from Anderson v. Liberty Lobby,* 477 U.S. at 250-51 (additional citation omitted). The impact of any increased confusion resulting from *Liberty Lobby* extends beyond summary judgment motions to also include Rule 50 motions.

This Court's opinion in the *Liberty Lobby* case said (1) credibility determinations, (2) weighing of the evidence, and (3) drawing of legitimate inferences from the facts, are all jury functions, and not those of the judge, whether the judge is ruling on a motion for summary judgment or a motion for a directed verdict. 477 U.S. at 255. This has been repeated in subsequent opinions. *Reeves v. Sanderson Plumbing Products, Inc.*, 530 U.S. at 150-51; *Lytle v. Household Mfg., Inc.*, 494 U.S. 545, 554-55 (1990).

Nevertheless, Justice Brennan's dissenting opinion in the *Liberty Lobby* case warned, "the Court's opinion is also full of language which could surely be understood as an invitation – if not an instruction – to trial courts to assess and weigh evidence much

as a juror would." 477 U.S. at 266 (Brennan, J., dissenting).

There is a split among state courts, with some states refusing to adopt this Court's holding because it necessarily requires a weighing of the evidence. In *Huckabee v. Time Warner Entertainment Co.*, 19 S.W.3d 413 (Tex. 2000), the Texas Supreme Court agreed with Justice Brennan that the decision in *Liberty Lobby* appears to require a judge to weigh the evidence, and cannot be squared with the direction that a judge "is not himself to weigh the evidence." 19 S.W.3d at 422 ("We are reminded that the majority in *Anderson* insisted that its standard did not require trial courts to weigh evidence at the summary judgment stage. With all due respect, we agree with Justice Brennan's dissenting opinion on this point").

Other courts have similarly agreed with Justice Brennan's and Justice Rehnquist's dissents. *Bartlett v. Marabel*, 128 N.M. 830, 836, 999 P.2d 1062, 1068 (Ct. App. 2000) ("We are inclined to agree with Justice Brennan's and Justice Rehnquist's observations in their dissenting opinions. It appears that *Anderson*'s holding does not so much change the standard for summary judgment proceedings, but merely creates confusion for trial courts when determining the proper basis for granting or denying summary judgment."), *writ of cert. quashed*, 130 N.M. 154, 20 P.3d 811 (2001).

Other courts and commentators have found the directions in *Liberty Lobby* to be contradictory, and that *Liberty Lobby* effectively requires a judge to

weigh the evidence in spite of this Court's directions to the contrary. *E.g., Bartlett v. Marabel*, 128 N.M. at 837, 999 P.2d at 1069 ("It is clearly necessary, in determining what standard is met, to weigh the evidence. This is one of the many contradictions found in *Anderson*'s holding. It is not the function of the trial court to weigh the evidence."); *Moffatt v. Brown*, 751 P.2d 939, 944 (Alaska 1988) ("The clear-and-convincing test inevitably implicates a weighing of the evidence, an exercise that intrudes into the province of the jury.") (citations and internal quotes omitted); *Dairy Stores, Inc. v. Sentinel Publishing Co.*, 104 N.J. 125, 156-57, 516 A.2d 220, 236 (1986) ("We are persuaded, however, that the clear-and-convincing test inevitably implicates a weighing of the evidence, an exercise that intrudes into the province of the jury."); Mullenix, *Summary Judgment: Taming the Beast of Burdens*, 10 AM. J. TRIAL ADVOC. 433, 462 (1987) ("So replete is the decision with contradictory pronouncements that opposing counsel can in the future legitimately cite *Anderson*'s dicta for completely repugnant propositions.").

The right to a trial by jury is a basic and fundamental feature of our federal judicial system that is protected as a Constitutional right. *Jacob v. New York City*, 315 U.S. 752, 752-53 (1942) ("The right of jury trial in civil cases at common law is a basic and fundamental feature of our system of federal jurisprudence which is protected by the Seventh Amendment. A right so fundamental and sacred to the citizen, whether guaranteed by the Constitution or provided by statute, should be jealously guarded by

the courts."); U.S. CONST. amend. VII. This case presents issues relating to the careful balance that must be struck between the right to a jury trial and the use of Rule 56 motions and Rule 50 motions to ferret out and dispose of cases in which there is no genuine issue for trial. In order to adequately protect something as basic and fundamental as the right of jury trial, this Court needs to provide better guidance to lower courts on how to draw the line when faced with a decision that may deprive a litigant of the opportunity to have a jury decide an issue.

I. Federal Court Decisions Applying *Anderson v. Liberty Lobby* Struggle With the Prohibition Against Weighing the Evidence, and Take Different Approaches on Drawing Justifiable Inferences in Favor of the Non-Moving Party

Federal courts are not, of course, free to disagree with this Court's decision in the *Liberty Lobby* case. They are bound to follow it. In doing so, federal courts appear to have struggled with this Court's prohibition against weighing the evidence, or taken inconsistent paths in their attempts to follow *Liberty Lobby*.

In the case of *Massachusetts Institute of Technology v. Harman International Industries, Inc.*, 584 F. Supp.2d 297 (D. Mass. 2008), the court eloquently described the struggles faced by a federal court attempting to follow *Liberty Lobby*:

> I note that obscured in the chromatic metaphors deployed by the Supreme Court in

> *Anderson v. Liberty Lobby* to describe the quantum of evidence to support summary judgment – more than "merely colorable," as "presented through the prism of the substantive evidentiary burden," – are daunting and insufficiently illuminated questions for the trial judge considering summary judgment motions that turn on a clear and convincing evidentiary burden. Nothing in the past two decades has given reason to recede from the Supreme Court's earlier observations that "the ultimate truth as to how the standards of proof affect decision-making may well be unknowable," and that "[w]e probably can assume no more than that the difference between a preponderance of the evidence and proof beyond a reasonable doubt is better understood than either of them in relation to the intermediate standard of clear and convincing evidence.

Massachusetts Institute of Technology v. Harman International Industries, Inc., 584 F. Supp.2d at 307 n.7 (citations omitted), *quoting from Addington v. Texas*, 441 U.S. 418, 424-25 (1979). In that case, the court noted that it was "[r]esigned to the uncertainties created by the obligation to apply the 'abstractions' of the clear and convincing evidentiary standard" (Rehnquist, J., dissenting) without itself actually weighing the evidence, and said "I have 'struggle[d]' (Brennan, J., dissenting) as the majority opinion in *Anderson* directs, to conduct an 'inquiry as to whether a genuine issue exists [regarding] whether the evidence presented is such that a jury applying that standard could reasonably find for either the

plaintiff or the defendant.'" 584 F. Supp.2d at 307 n.7 (citations omitted).

Some federal courts attempting to follow *Liberty Lobby* appear to have followed an approach contrary to the prohibition against weighing the evidence, either explicitly or silently. The Ninth Circuit has expressly acknowledged that some limited weighing of the evidence must be done. *See, e.g., In re First Alliance Mortgage Co.*, 471 F.3d 977, 998-99 (9th Cir. 2006) ("Some limited weighing of the evidence is a natural component of determining whether a jury could have reasonably found punitive damages appropriate under the heightened clear and convincing evidence standard.").

Other courts have taken a different approach, first drawing all reasonable inferences in favor of the non-moving party ***before*** determining whether the evidence is sufficient to go to a jury, and refusing to weigh the evidence in any respect. *SCO Group, Inc. v. Novell, Inc.*, No. 2:04-cv-139 TS, 2010 U.S. Dist. LEXIS 28805 (D. Utah March 25, 2010).

In the present case, without saying so, the Eleventh Circuit apparently weighed the evidence in reaching its decision that punitive damages should not have gone to the jury on grounds that the two issues raised in respondent's post-trial Rule 50(b) motion presented "close questions." In determining that the issues presented "close questions," the Eleventh Circuit at times viewed the evidence in the light most favorable to the ***moving party***, *i.e.*, respondent, instead of the other way around. The

Eleventh Circuit also apparently engaged in weighing the evidence on the question of what inferences could be drawn by a reasonable jury under the clear and convincing evidentiary standard.

It is apparent, even from this limited review of the case law, that *Liberty Lobby* is proving to be difficult to apply, and federal courts are applying it inconsistently. Petitioner respectfully submits that the predictions that *Liberty Lobby* would create confusion have proven to be correct.

II. The States Are Divided on the Adoption and Proper Application of *Anderson v. Liberty Lobby*

While federal courts may engage in weighing the evidence without saying so, or simply acknowledge some limited weighing of the evidence contrary to this Court's direction in *Liberty Lobby*, a number of decisions in state courts appear to reject or question *Liberty Lobby* because they conclude that a judge ***must*** weigh the evidence in applying that decision. *See, e.g., Huckabee v. Time Warner Entertainment Co.*, 19 S.W.3d 413, 421-22 (Tex. 2000) ("Requiring the trial court to determine at the summary judgment stage whether a reasonable juror could find the evidence to be clear and convincing suggests that the trial court must weigh the evidence."); *Dairy Stores, Inc. v. Sentinel Publishing Co.*, 104 N.J. 125, 156-57, 516 A.2d 220, 236 (1986) ("We are persuaded, however, that the clear-and-convincing test inevitably implicates a weighing of the evidence, an exercise

that intrudes into the province of the jury."); *Moffatt v. Brown*, 751 P.2d 939, 944 (Alaska 1988) ("We agree" that the clear and convincing test inevitably implicates a weighing of the evidence.) (citation omitted).

In a recent case, the New Mexico Court of Appeals attempted to discern how *Liberty Lobby* was to be applied:

> It is clear that the *Anderson* majority did not give the trial court the power to weigh the evidence. With this in mind, we must attempt to discern what the trial court should do when applying the evidentiary standard at trial to summary judgment proceedings. It is our understanding that the trial court need only determine if the disputed facts could possibly meet the appropriate standard at trial. The court must look at the "possibility" of meeting the standard because for the court to "determine" whether the evidence meets that standard is to weigh that evidence, which we know is a function *Anderson* leaves to the jury. If the evidence presented at summary judgment has the possibility of meeting the clear-and-convincing standard, then the granting of summary judgment is not appropriate. If the evidence could allow a jury to conclude that the nonmovant's claim is true, then we believe *Anderson* requires denial of the motion. In our view, this is the only possible interpretation that allows the Court's holding as a whole to be in harmony with each of its component parts.

Bartlett v. Marabel, 128 N.M. at 836, 999 P.2d at 1068 (citations omitted). This turned out to be an academic exercise, however, because the New Mexico Supreme Court has refused to align its approach to summary judgment with that of the federal courts. *Romero v. Philip Morris Inc.*, No. 31,433, 2010 N.M. LEXIS 370, at *13-14 (Sup. Ct. June 25, 2010).

Other state courts have issued decisions declining to adopt *Liberty Lobby*. *Berner v. Caldwell*, 543 So.2d 686, 688 (Ala. 1989), *overruled in part on other grounds*, 769 So.2d 903 (Ala. 1999); *5G's Car Sales, Inc. v. Florida Dept. of Law Enforcement*, 581 So.2d 212 (Fla. Ct. App.), *review denied*, 592 So.2d 679 (Fla. 1991); *Chester v. Indianapolis Newspapers, Inc.*, 553 N.E.2d 137, 141 (Ind. App. 1990); *Steelvest, Inc. v. Scansteel Serv. Ctr., Inc.*, 807 S.W.2d 476, 482 (Ky. 1991); *DePrimo v. Lehn & Fink Prods. Co.*, 223 N.J. Super. 265, 538 A.2d 461, 463 (1987); *Jones v. GMC*, 325 Or. 404, 939 P.2d 608, 615 (1997); *Parker v. Haller*, 751 P.2d 372, 376 (Wyo. 1988).

Many other states have adopted *Liberty Lobby*, and those courts may represent the majority rule. *See, e.g., Cerberus International, Ltd. v. Apollo Management, L.P.*, 794 A.2d 1141, 1148-49 (Del. 2002), and cases cited therein.

The state courts, who are not bound by *Liberty Lobby*, and who are more free to comment on the difficulty in applying that decision, provide additional support for the notion that guidance from this Court is appropriate and needed concerning how *Liberty Lobby* is to be applied.

III. This Court's Guidance Is Needed, and This Case Is an Ideal Vehicle

This Court's opinion in the *Liberty Lobby* case did not tell a court ***how*** a clear and convincing evidentiary standard is to be considered, and federal and state courts have varied in their application of the *Liberty Lobby* standard. Commentators have questioned how a trial judge determines the "caliber and quality" of the evidence without weighing the evidence. *See* Issacharoff & Loewenstein, *Second Thoughts About Summary Judgment*, 100 YALE L.J. 73, 85 (1990); Mullenix, *Summary Judgment: Taming the Beast of Burdens*, 10 AM. J. TRIAL ADVOC. 433, 462 (1987); Stempel, *A Distorted Mirror: The Supreme Court's Shimmering View of Summary Judgment, Directed Verdict, and the Adjudication Process*, 49 OHIO ST. L.J. 95, 115-16 (1988).

The lack of guidance from this Court on how *Liberty Lobby* is to be applied has resulted in rulings by lower courts that denigrate the role of the jury, contrary to this Court's intent. *Anderson v. Liberty Lobby*, 477 U.S. at 255 ("Our holding that the clear-and-convincing standard of proof should be taken into account in ruling on summary judgment motions does not denigrate the role of the jury."). *Bartlett v. Marabel*, 128 N.M. at 838, 999 P.2d at 1070 ("Permitting trial courts a license to quantify or analyze the evidence in a given case under whatever standard may apply, we believe, would adversely impact our jury system and infringe on the jury's function as the trier of fact and the true arbiter of the credibility of witnesses.").

The present case is a good example of why this Court needs to provide some guidance and direction on how *Liberty Lobby* is to be applied. The court of appeals provided little illumination of how it applied *Liberty Lobby* in reviewing the district court's determination under Rule 50(a) on punitive damages. Nor did the court of appeals explain in any detail why the burden of proof was determinative, or why the evidence was sufficient under the lesser standard of proof but not sufficient under a clear and convincing evidentiary burden.

The court of appeals' suggestion that probable cause was a "close question" does little to explain exactly where the evidence was insufficient to support a jury finding of intentional conduct. The determination that respondent's affirmative defense was a "close question" does not seem to be an appropriate basis for the appellate court's decision, since petitioner did not have the burden of proof on that affirmative defense, and respondent did not appeal the jury's finding of malice or the sufficiency of the evidence supporting the finding of malice.

A. The Record in This Case Included Evidence That Respondent Had Actual Knowledge That Respondent Wrongfully Sued Petitioner for Patent Infringement Without Any Evidence That Petitioner's Customers Infringed the Patents

Miller knew that respondent was unsuccessful in getting a patent claim that only required wet compression and adding water incrementally; and that respondent subsequently accepted the Dow patents with narrower claims. App. 57; App. 29. As an experienced patent attorney, Miller knew that the patent claims of respondent's patents could not be construed to cover any customer that was merely doing "incremental wet compression," since respondent had surrendered patent coverage for "incremental wet compression" when respondent acquiesced in the patent examiner's rejection of such broad claims from respondent's pending patent applications. *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 734 (2002); *Schriber-Schroth Co. v. Cleveland Trust Co.*, 311 U.S. 211, 218 (1940).

Miller knew that "incremental wet compression" alone would not infringe respondent's patents. App. 57 ("Miller was therefore aware that incremental wet compression alone would not infringe the Dow Patents . . . "); App. 29 (Respondent "Dow conceded at trial that the use of [petitioner's] systems for incremental wet compression alone was not a sufficient basis for infringement.").

"Miller knew that when Dow first contacted Schramm, the company had no evidence that Mee or its customers were performing anything more than incremental wet compression." App. 58. Miller was aware that Dow had not attempted to obtain evidence of whether any of petitioner's customers performed anything beyond "incremental wet compression." *Id.* "And Miller knew that Schramm did not obtain any evidence that Mee or its customers were engaging in something more than incremental wet compression." App. 58.

Given this evidence, petitioner had provided evidence of "intentional misconduct" within the meaning of Fla. Stat. §768.72(2)(a) (1999). A reasonable jury could have found that respondent (through Miller) had actual knowledge of the wrongfulness of the conduct, *i.e.*, that respondent sued petitioner for patent infringement without any evidence that petitioner's customers were actually infringing the Dow patents.

B. The Record in This Case Included Evidence That Respondent Had Actual Knowledge That Respondent Wrongfully Sued Petitioner for Patent Infringement Without Any Evidence to Support a Claim of Indirect Infringement

Respondent conceded that its infringement case against petitioner was necessarily based ***only*** on a theory of indirect infringement. App. 35 (It was "conceded" at trial "that Mee could be liable only for

indirect infringement, and that Miller and Dow were well aware of that fact."); App. 17.

There can be no indirect infringement by petitioner unless there was direct infringement by at least one of petitioner's customers. *Dynacore Holdings Corp. v. U.S. Philips Corp.*, 363 F.3d 1263, 1277 (Fed. Cir. 2004) ("[A]bsent direct infringement of the claims of a patent, there can be neither contributory infringement nor inducement of infringement."). Thus, the evidence discussed above showing that Miller (and respondent) had knowledge that there was no evidence of direct infringement is sufficient to meet the "intentional misconduct" standard for punitive damages.

The evidence at trial showed that Miller (and respondent) knew that respondent needed "proof that Florida Power performed all of the elements of this claimed method, and then that Mee either induced or contributorily infringed . . . ". App. 17-18. Therefore, even if there had been evidence that one or more of petitioner's customers operated their equipment in an infringing manner, Miller still knew that respondent could not sue petitioner unless there was also proof of indirect infringement.

There are two potential theories of indirect infringement: (1) contributory infringement under 35 U.S.C. §271(c), and (2) inducement of infringement under 35 U.S.C. §271(b).

Miller and respondent "knew that [petitioner's] equipment could be used [by customers] in ways that

did not infringe [respondent's] patents." App. 57; App. 31 n.11 ("[T]he record is clear that the Mee equipment had substantial non-infringing uses."). Miller knew respondent could not sue petitioner for contributory infringement under 35 U.S.C. §271(c), because the equipment that petitioner sold to customers had substantial non-infringing uses. "The mere sale of a product capable of substantial noninfringing uses does not constitute indirect infringement of a patent." *Dynacore Holdings Corp. v. U.S. Philips Corp.*, 363 F.3d 1263, 1275 (Fed. Cir. 2004). Where accused equipment can be operated in one of two ways, one that infringes and one that does not, "it would be too speculative to conclude that any customer actually performed the claimed method." *Lucent Technologies, Inc. v. Gateway, Inc.*, 543 F.3d 710, 723 (Fed. Cir. 2008).

Miller knew the respondent could not sue petitioner for inducement of infringement under 35 U.S.C. §271(b) unless petitioner actively induced its customers to operate their equipment in a manner that infringed the Dow patents. Under 35 U.S.C. §271(b), the accused inducer must ***knowingly*** cause its customers to perform a method that directly infringes the patent. *Moba, B.V. v. Diamond Automation, Inc.*, 325 F.3d 1306, 1318 (Fed. Cir.) ("[a]lthough §271(b) does not use the word 'knowingly,' this court has uniformly imposed a knowledge requirement"), *cert. denied*, 540 U.S. 982 (2003); *Hewlett-Packard Co. v. Bausch & Lomb, Inc.*, 909 F.2d 1464, 1469 (Fed. Cir. 1990) ("proof of actual intent to cause

the acts which constitute the infringement is a necessary prerequisite to finding active inducement").

At best, the User Manual relied upon by respondent may have been some evidence that petitioner was aware that its customers could operate their equipment in a manner that might have infringed. But even *if* petitioner had known that the equipment it sold *may* infringe Dow's patents depending on how a customer operated the equipment, that would have been insufficient to establish probable cause for inducement. *See, e.g.*, *Organon Inc. v. Teva Pharmaceuticals, Inc.*, 244 F. Supp.2d 370, 380 (D.N.J. 2002) (The "sale of a lawful product by lawful means, with the knowledge that an unaffiliated, third party may infringe, cannot, in and of itself, constitute inducement of infringement"), *quoted with approval in Dynacore*, 363 F.3d at 1276 n.6 ("[w]e agree with this view of inducement").

Therefore, the evidence presented at trial was clear that respondent knowingly sued petitioner for indirect infringement with knowledge that respondent had no evidence that petitioner was guilty of indirect infringement and no good faith basis for asserting a claim of indirect infringement against petitioner. The question of punitive damages should have been submitted to the jury, and it was an error of law to grant respondent's Rule 50(a) motion on the issue of punitive damages.

C. The Contradictions and Confusing Standard Provided by *Liberty Lobby* Have Resulted in Lower Courts' Disregarding Fundamental Constraints on the Role of the Court in the Evaluation of Evidence

Justice White, writing in dissent in the case of *Matsushita Electric Industrial Co. v. Zenith Radio Corp.*, 475 U.S. 574 (1986), said that none of the prior holdings of this Court were intended to "undermine the doctrine that all evidence must be construed in the light most favorable to the party opposing summary judgment." 475 U.S. at 600-01 (White, J., dissenting). It was well-said that "If the Court does not intend such a pronouncement, it should refrain from using unnecessarily broad and confusing language." *Id.* at 601. Yet, that doctrine has been undermined as a result of *Liberty Lobby*, and if this Court did not intend such a result, it ought to provide better guidance on how *Liberty Lobby* should be applied.

In the present case, the Eleventh Circuit acknowledged that it must "consider the evidence in the light most favorable to the non-moving party." App. 14. Yet, as part of the appellate court's analysis in determining that the issues presented a "close question" such that petitioner did not meet the clear and convincing evidentiary standard, the court of appeals repeatedly construed Schramm's opinion letter in the light most favorable to respondent Dow, who was the moving party on the Rule 50 motions at issue. This was significant, since the court of appeals found the

Schramm letter "particularly relevant to the issue of probable cause because Dow emphasized Schramm's analysis as key to the probable cause determination during trial." App. 22.

For example, the court of appeals found that "the jury ***could have*** reasonably concluded that Dow construed the three key limitations of the [patent] claims" in a manner favorable to respondent. App. 22 (emphasis added). But both Schramm and Miller testified at trial, and there is no citation by the appellate court to any testimony by either of them supporting a finding that they actually construed the patent claims that way. Yet the court of appeals used this to find an issue of fact sufficient to create a "close question" sufficient to justify granting a Rule 50 motion in favor of respondent.

The court of appeals construed the Schramm letter in the light most favorable to respondent when it found that the Schramm letter may have "implicitly address[ed] the question of indirect infringement." App. 36.

If the court of appeals was required to draw all inferences in favor of petitioner, and to view the evidence in the light most favorable to petitioner ***before*** determining whether the evidence was sufficient to present a jury issue (taking into consideration the clear and convincing evidentiary standard), then the court would have ***had*** to view the Schramm letter as ***not*** offering any opinion on indirect infringement

that would have justified respondent's malicious lawsuit against petitioner.

The court of appeals acknowledged that "[i]f the jury concluded, as it reasonably could, that Schramm did not consider indirect infringement at all, then a reasonable jury could have concluded that Dow did not rely in good faith on the opinion, especially in light of Miller's knowledge that Mee could be liable only for indirect infringement." App. 36. But if the evidence, viewed in the light most favorable to petitioner, showed that respondent knew that petitioner could ***only*** be liable for indirect infringement, and respondent knew it had ***no evidence*** for accusing petitioner of indirect infringement, and the jury could have found that respondent had ***no advice of counsel*** to support any claim of indirect infringement against petitioner, then this was a sufficient showing of "intentional misconduct" for the issue of punitive damages to have been presented to the jury.

CONCLUSION

Patent infringement actions can be extraordinarily expensive to defend, and in some instances can be used "to charge exorbitant fees"[9] to any company caught in the crosshairs of a patent owner. The district court aptly described the position of petitioner in this case – "accused of infringement by a competitor with effectively bottomless pockets, faced with the prospect of spending a million dollars or more to successfully defend an infringement suit." App. 51-52. Here, a malicious patent infringement lawsuit was used to eliminate a small family-owned business as a competitor. This case is part of a disturbing trend in the increased use of expensive patent litigation for improper purposes. *See, e.g., Verve, L.L.C. v. Hypercom Corp.*, No. CV-05-0365-PHX-FJM, 2007 U.S. Dist. LEXIS 21998 (D. Ariz. March 26, 2007). In view of the fact that respondent succeeded in this case in effectively destroying petitioner's ability to compete, the removal of any threat of punitive damages provides little disincentive for such conduct in the future, either by respondent or by others similarly situated.

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[9] *See eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 396 (2006) (Kennedy, J., concurring). In patent cases, "the threat of discovery expense will push cost-conscious defendants to settle even anemic cases before reaching those proceedings." *Cf. Bell Atlantic Corp. v. Twombly*, 550 U.S. 544, 559 (2007) (antitrust case).

The petition for a writ of certiorari should be granted.

Respectfully submitted,

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[PUBLISH]

IN THE UNITED STATES COURT OF APPEALS
FOR THE ELEVENTH CIRCUIT

No. 08-16747

D. C. Docket No. 05-01520-CV-ORL-31DAB

MEE INDUSTRIES, A foreign corporation,

Plaintiff-Appellant-Cross-Appellee,

versus

DOW CHEMICAL COMPANY, A foreign corporation,

Defendant-Appellee-Cross-Appellant.

Appeals from the United States District Court
for the Middle District of Florida

(June 15, 2010)

Before MARCUS, FAY and ANDERSON, Circuit Judges.

ANDERSON, Circuit Judge:

This case comprises the respective appeal and cross-appeal of Mee Industries ("Mee") and Dow Chemical Company ("Dow") in a malicious prosecution suit brought by Mee against Dow. Mee brought this suit in response to a patent infringement suit filed in the Middle District of Florida by Dow against

Mee and Florida Power Corporation, a Mee customer. That case was ultimately resolved in Mee's favor. In the instant case, a jury verdict was entered in Mee's favor for the previously stipulated amount of its attorneys' fees in the patent infringement case. On appeal, Mee argues that the district court erred by granting Dow's Rule 50(a) motion on the issue of punitive damages and excluding evidence of Mee's damages relating to loss of goodwill under Fed. R. Civ. P. 37(c)(1). In its cross-appeal, Dow argues that the district court erred by denying Dow's Rule 50(b) motions on the issues of lack of probable cause and its advice-of-counsel defense. This case presents two close questions, but after carefully considering the parties' briefs, thoroughly investigating the record, and having heard oral arguments, we affirm.

I. BACKGROUND

A. Pre-Infringement Suit

The foundations of this case were laid in a patent infringement case filed by Dow against Mee and Florida Power Corporation. As part of its myriad operations, Dow uses gas turbines to generate power for manufacturing operations. Mee sells fogging systems for a variety of uses, including power augmentation for gas turbines. The infringement case focused on two patents, United States Patent No. 5,867,977 ("the '977 Patent") and United States Patent No. 5,930,990 ("the '990 Patent"), entitled

"Method and Apparatus for Achieving Power Augmentation in Gas Turbines Via Wet Compression." Dow is the assignee of both patents. The patents were issued in 1999 and disclose methods of increasing the power output of a gas turbine by allowing nebulized water particles to flow into the compressor of a turbine while minimizing the possible negative side effects.

Gas turbines work in several steps. A working fluid, such as air, is drawn through an inlet duct into a compressor section. In the compressor section, the air is compressed by a row of blades. The compressed air is combined with fuel in the combustion chamber. Finally, the compressed air/fuel mixture is oxidized, and the energy from the hot gas is converted into work in the turbine section.

The performance of a gas turbine can be improved by cooling the inlet air temperature. Cooling the inlet air reduces the amount of work necessary to compress the air in the compressor section. One method of cooling the inlet air temperature is evaporative cooling. In evaporative cooling, fine water particles are injected into the air before it enters the gas turbine. As the water evaporates, the air temperature cools, leading to cooler air entering the turbine. In evaporative cooling, all of the water injected into the air evaporates before it enters the compressor. Thus, no water particles enter the compressor section. Wet compression, on the other hand, occurs when more water is injected into the air than can evaporate before it enters the compressor. Therefore,

under wet compression conditions, fine particles of water actually enter the compressor section. Those water particles evaporate in the compressor section, lowering the air temperature in the compressor section, thereby providing greater power augmentation. The technology of wet compression has been understood for some time. The difficulty with wet compression is that putting too much water into the compressor can create thermal stresses that can cause the compressor blades to crack or lead to deformation of the machine's housing. Dow's research centered around increasing the amount of water added to the system in an incremental fashion to achieve greater power augmentation without any negative side effects.

In 1998, Dow licensed its technology to Siemens Westinghouse. Shortly after that agreement was reached, Siemens made Dow aware that Mee was selling its fogging systems for use in the power augmentation field.

In May 1999, several Dow employees traveled to California and met with Thomas Mee, the president of Mee Industries, at Mee's headquarters to discuss a possible licensing arrangement related to his products and Dow's patents. Those employees were William Miller, Dow's in-house patent counsel, Paul Hathaway, a Dow licensing manager, and Steven Jasper, a Dow technical expert. At the conclusion of that meeting, Mee provided Dow with information on Mee's Fog System, including a Users Manual and information on installations Mee had performed.

In June 1999, Thomas Mee contacted Hathaway, expressing interest in a licensing arrangement, but denying infringement of Dow's patents. After that contact, Miller provided Hathaway with a memo to assist Hathaway in his negotiations with Mee. The memo included Miller's opinion on whether Mee was infringing. His opinion was based on modeling work performed by Jasper, using the technical information provided by Mee. Jasper's model demonstrated that under certain environmental conditions, some of the installations on Mee's customer list were achieving wet compression if operated at the designed water flowrates. Miller opined that based on that model and his understanding of the patents in question, Mee's systems infringed on several claims. Miller's memo also provided information in response to Mee's claims that Dow's patents were invalid. Miller pointed out that the standard of proof to invalidate an issued patent was one of clear and convincing evidence, which he characterized as a difficult standard to meet. Hathaway forwarded Miller's opinion to Mee, along with an informal, initial licensing proposal. Ultimately, the parties failed to reach any arrangement.

In December 1999, Miller contacted Bruce Kanuch, an in-house lawyer specializing in IP litigation, about the possibility of an infringement action against Mee. Kanuch agreed with Miller's assessment that a reasonable basis existed for suing Mee. Miller then retained William Schramm to act as outside counsel and to provide an opinion on the validity of

Dow's patents and an infringement analysis if he concluded the patents were defensible. Schramm was given access to Dow personnel, information on the patents and Mee's Fog System, including the documents provided by Mee, and all relevant patent files, literature searches, correspondence, and licensing agreements.

In January 2000, Schramm provided an opinion letter which concluded that Dow's patents were valid and that Mee's technology infringed on at least one claim in each patent. In his letter, Schramm stated that he had reviewed the file histories, the art cited by the Patent Office in both patents, references cited in the information disclosure statements filed with the Patent Office, and four other references that potential Dow licensees had brought to Dow's attention. In his opinion, those additional references were cumulative of other art before the patent examiner. He concluded that any challenger would have a difficult time proving by clear and convincing evidence that the patents were invalid. Schramm also listed the various articles or brochures provided by Miller relating to Mee technology that he reviewed for his infringement analysis. In his view, those materials established that Mee systems infringed on at least one claim of each patent.

In February 2000, Christopher Mudd, Dow's commercial manager for energy, Jasper, Schramm, Kanuch, and Miller held a meeting. The lawyers opined that the patents were valid and Mee was infringing. Mudd agreed that they should move forward

in securing authorization to file an infringement action.

In March 2000, Kanuch made a presentation to the Litigation Review Committee ("LRC") covering the legal and business aspects of an infringement suit. The LRC approved the suit.

B. Infringement Suit and Appeal

On April 5, 2000, Dow filed an infringement suit against Mee and Florida Power in the United States District Court for the Middle District of Florida. Dow alleged that Mee and Florida Power infringed on both patents. In response, Mee argued, *inter alia*, that the patents were invalid under 35 U.S.C. §§ 102(b)[1] and 103[2] because the claimed invention, or obvious variations thereof, were placed on sale in the United

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[1] Section 102 defines the novelty requirement for patentability, including the requirement that the invention must not have been "on sale in this country more than one year prior to the date of the application for patent in the United States." 35 U.S.C. § 102(b). This specific condition is commonly known as the on-sale bar. *See, e.g., Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55, 57, 119 S. Ct. 304, 307, 142 L. Ed. 2d 261 (1998).

[2] Section 103 defines the nonobviousness requirement for patentability. Under § 103, even though an invention may be considered novel under § 102, it is still not entitled to patent protection "if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains." 35 U.S.C. § 103(a).

States more than one year before the earliest filing date of the patents at issue.[3] Dow moved for a preliminary injunction. The district court denied that motion, finding that Dow had failed to meet its burden of showing a likelihood of success on the merits. *Dow Chem. Co. v. Mee Indus.*, 264 F. Supp. 2d 1018, 1022 (M.D. Fla. 2002), *aff'd in part, rev'd in part*, 341 F.3d 1370 (Fed. Cir. 2003). Florida Power sought summary judgment on the grounds that its system did not infringe on Dow's method, but that motion was denied because the court concluded a genuine issue of material fact existed as to how Florida Power operated its system. *Id.* Mee did not seek summary judgment on the infringement issue.

At trial, the district court focused on two independent claims, Claim 14 of the '977 Patent and Claim 30 of the '990 Patent. In Claim 14 of the '977 Patent, Dow claimed:

> A method for augmenting the net output of a gas turbine having an axial flow multistage compressor for acquiring and compressing a working fluid comprising air, the method comprising the steps of:
>
> adding increasing amounts of liquid water comprising liquid droplets to the working fluid acquired by the compressor, with the mass flow rate of the liquid droplets being

[3] In addition to the defenses raised, both defendants counterclaimed, requesting a declaratory judgment that the patents were invalid, unenforceable, and not infringed.

> increased over time to avoid destructive thermal stresses within the gas turbine which are related to the providing of increased amounts of liquid water to the working fluid, and thereafter, after achieving a desired mass flow rate, providing liquid water comprising liquid droplets to the working fluid acquired by the compressor at a substantially constant mass flow rate over a period of continuous operation exceeding about 4 hours to augment the net output of the gas turbine by wet compression.

'977 Patent, col. 29, ll. 9-25. In Claim 30 of the '990 Patent, Dow claimed:

> A wet compression power augmentation method for adding nebulized water to a gas turbine, said gas turbine having a housing and a compressor, said compressor having a compressor inlet, comprising:
>
> nebulizing water in said compressor inlet; and adding water to modify said nebulized water in a plurality of nebulized water mass flow increments such that operationally-induced thermal stresses within said gas turbine due to the ingestion and evaporation in whole or in part of said nebulized water are sufficiently minimized to preserve structural integrity in said gas turbine.

'990 Patent, col. 22, ll. 56-67.

At the conclusion of the bench trial, the district court concluded that Claim 14 of the '977 Patent[4] and Claim 30 of the '990 Patent were invalid because they failed the nonobviousness requirement. *Dow Chem.*, 264 F. Supp. 2d at 1031, 1039-41. Alternatively, the district court found that neither Mee nor Florida Power infringed on the claims. Looking first at Florida Power, the district court found that Florida Power did not directly infringe on the claims because it did not increase the water flow over time, but instead added the water all at once. *Id.* at 1043-44. In relation to Mee, the district court found that Mee did not directly infringe on the method claims because it only sold equipment and, therefore, did not practice the patented methods. *Id.* at 1044. The district court then considered the possibility of contributory or inducement of infringement. It found that Mee did not infringe under those indirect infringement theories because direct infringement is necessary to support indirect infringement and that direct infringement did not occur unless (1) a user employed the patented method for the purpose of avoiding destructive thermal stresses and (2) the system operated at a high enough overspray[5] level to create thermal stresses. *Id.* at 1045. The district court found no evidence that either limitation was met.

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[4] The court also found that all claims that depended from Claim 14 would be obvious to a person of ordinary skill in the art.

[5] Overspray is another term for wet compression.

On appeal the Federal Circuit held that Claim 14 of the '977 Patent and Claim 30 of the '990 Patent were obvious in light of the prior art. *Dow Chem. Co. v. Mee Indus., Inc.*, 341 F.3d 1370, 1376 (Fed. Cir. 2003). Dow urged the Federal Circuit to read the claim language directed to destructive or operationally-induced thermal stresses to require a certain minimum flow of water. The Federal Circuit, however, found the "thermal stresses" language did not correspond to a certain minimum amount of water. *Id.* Without a limitation directed to a particular volume of water, the court found that the claims were obvious in light of the prior art.[6] *Id.* The Federal Circuit then reversed the district court's obviousness finding on dependent Claims 23 and 24 of the '977 Patent,[7] holding that additional limitations in those claims pertaining to the percentage of overspray rendered them nonobvious. *Id.* at 1378. The Federal Circuit also overturned the district court's alternative holding that Mee did not infringe on Claims 23 and 24.

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[6] The Federal Circuit also held that Claims 15, 16, 21, and 22 of the '977 Patent were obvious in light of the prior art. *Dow Chem.*, 341 F.3d at 1376-77. All of these claims depend from Claim 14.

[7] In Claim 23, Dow claimed: "The method of any of claims 1, 5, 9, and 14 wherein the working fluid acquired by the compressor over a period of continuous operation exceeding about 4 hours comprises from about two weight percent to about eight weight percent of liquid water in admixture with fully-humidified air." '977 Patent, col. 29, ll. 63-67. In Claim 24, Dow claimed: "The method of claim 23 for augmenting the net output of a heavy duty industrial gas turbine." *Id.*, col. 30, ll. 1-2.

The Federal Circuit explained that the district court's finding of noninfringement based on a lack of evidence demonstrating that Mee's systems were used for the purpose of avoiding thermal stresses was based on an error of law because the motive of an accused infringer is irrelevant. *Id.* at 1380. The court also explained that the conclusion that destructive stresses did not occur at the level of overspray Mee operated at did not negate infringement. *Id.* Based on the validity of Claims 23 and 24, the Federal Circuit remanded the case for a determination of whether Mee could be held liable for induced or contributory infringement of those claims. *Id.* at 1380-81. On remand, the district court entered judgment against Dow because Dow introduced no evidence that any of Mee's customers infringed those claims by using Mee's systems.

C. Malicious Prosecution Suit

In September 2005, Mee filed the instant malicious prosecution suit against Dow in Florida state court. Dow removed the case to the United States District Court for the Middle District of Florida. Mee alleged in its complaint that Dow filed the infringement action without probable cause because it knew, or should have known, that there was no reasonable possibility that Mee would be found to have infringed the patents. In its answer, Dow denied that it had acted with the requisite malice or without probable cause and asserted reliance on advice of counsel as an affirmative defense.

During discovery, Mee produced documents showing offers to purchase the company around the time that Dow filed its infringement action. In particular, Mee produced a signed letter of intent from Munters Corporation to buy the shareholders' stock in the business for $38,000,000. That deal fell through, allegedly because Munters could not insure around the risk presented by the pending infringement suit.

At the close of discovery, Dow filed a motion for summary judgment on the issue of damages from the loss of the potential sale of stock to Munters. The district court denied that motion, but stated in its order that:

> Mee has no standing to seek damages from the cancellation of such sale. While this Court will not grant summary judgment on this one issue of damages, the parties are advised that this discussion constitutes a decision on the merits with regard to Plaintiff's entitlement to damages from the loss of this sale of stock.

Later, in the pretrial statement, Mee sought to recover, *inter alia,* the value of the goodwill of the company that had been reduced by the infringement lawsuit. Dow made a motion *in limine* to exclude, *inter alia,* evidence of damages to the value of goodwill of the business. The district court granted that portion of Dow's motion and ruled that Mee could not pursue any claim for damages to the corporation's goodwill.

At the close of evidence, Dow made a timely motion under Rule 50(a) for judgment as a matter of law on the issues of punitive damages, lack of probable cause, and reliance on advice of counsel. The district court granted Dow's motion on the issue of punitive damages, concluding that based on the evidence, no reasonable juror could find by clear and convincing evidence that the requirements for punitive damages had been met. The court reserved ruling on the issues of lack of probable cause and advice of counsel.

After the jury returned a verdict in favor of Mee, Dow made a post-trial motion for judgment as a matter of law under Rule 50(b) on the issues of lack of probable cause and reliance on advice of counsel and a motion for a new trial under Rule 59. The district court denied the motions.

The instant appeal and cross-appeal ensued.

II. STANDARD OF REVIEW

This Court reviews a Rule 50 motion *de novo,* applying the same standard as the district court. *Telecomm. Technical Servs. Inc. v. Rolm Co.,* 388 F.3d 820, 830 (11th Cir. 2004). The motion should be denied only if reasonable and fair-minded persons exercising impartial judgment might reach different conclusions. *Abel v. Dubberly,* 210 F.3d 1334, 1337 (11th Cir. 2000) (per curiam). We consider the evidence in the light most favorable to the non-moving party, *id.,* but we review all evidence in the record

and "draw all reasonable inferences in favor of the nonmoving party [without] mak[ing] credibility determinations or weigh[ing] the evidence," *Reeves v. Sanderson Plumbing Prods., Inc.*, 530 U.S. 133, 150, 120 S. Ct. 2097, 2110, 147 L. Ed. 2d 105 (2000). "Credibility determinations, the weighing of the evidence, and the drawing of legitimate inferences from the facts are jury functions, not those of a judge." *Id.* (internal quotation marks omitted). When reviewing the record, we "must disregard all evidence favorable to the moving party that the jury is not required to believe." *Id.* at 151. Therefore, we "should give credence to the evidence favoring the nonmovant as well as that evidence supporting the moving party that is uncontradicted and unimpeached, at least to the extent that that evidence comes from disinterested witnesses." *Id.* (internal quotation marks omitted). However, "the nonmoving party must provide more than a scintilla of evidence that there is a substantial conflict in evidence to support a jury question." *Berman v. Orkin Exterminating Co.*, 160 F.3d 697, 701 (11th Cir. 1998) (internal quotation marks omitted).

This Court's "review of a district court's decision to impose sanctions under Rule 37 is sharply limited to a search for an abuse of discretion and a determination that the findings of the trial court are fully supported by the record." *OFS Fitel, LLC v. Epstein, Becker & Green, P.C.*, 549 F.3d 1344, 1360 (11th Cir. 2008) (internal quotation marks omitted).

III. DISCUSSION

A. Lack of Probable Cause

Dow argues that the district court erred in refusing to grant its Rule 50 motion on the issue of whether it lacked probable cause for filing the patent infringement suit. Dow claims that it possessed sufficient information on Mee's fogging system to inform its infringement analysis, thus it was under no obligation to gather further information about the facilities where Mee systems were being used. We find this to be a close question, but ultimately conclude that the record contains sufficient evidence to support the jury's verdict.

In order to prevail on a claim of malicious prosecution, the plaintiff must prove, *inter alia,* that "there was an absence of probable cause for the original proceeding." *Alamo Rent-A-Car, Inc. v. Mancusi,* 632 So. 2d 1352, 1355 (Fla. 1994). "To establish probable cause, it is not necessary to show that the instigator of a lawsuit was certain of the outcome of the proceeding, but rather that he had a reasonable belief, based on facts and circumstances known to him, in the validity of the claim." *Wright v. Yurko,* 446 So. 2d 1162, 1166 (Fla. 5th DCA 1984) (footnotes omitted). In other words, the instigator must have had "'[a] reasonable ground of suspicion, supported by circumstances sufficiently strong in themselves to warrant a cautious man in the belief that the person accused is guilty of the offense with which he is charged.'" *Goldstein v. Sabella,* 88 So. 2d 910, 911

(Fla. 1956) (quoting *Dunnavant v. State,* 46 So. 2d 871, 874 (Fla. 1950)). "Probable cause in the context of a civil suit is measured by a lesser standard than in a criminal suit." *Wright,* 446 So. 2d at 1166. In *City of Pensacola v. Owens*, the Florida Supreme Court explained that "[w]hat facts and circumstances amount to probable cause is a pure question of law," while the existence of those facts or circumstances "in any particular case is a pure question of fact." 369 So. 2d 328, 330 (Fla. 1979) (internal quotation marks omitted). *See also Endacott v. Int'l Hospitality, Inc.,* 910 So. 2d 915, 922 (Fla. 3d DCA 2005) (noting that probable cause is a question for the jury when material facts are in dispute). Hereafter, we refer to the probable cause standard as reasonable suspicion.

Turning to the substantive patent law underlying the original action between these parties, patent infringement liability may be predicated on either direct infringement, *see* 35 U.S.C. § 271(a), or indirect infringement. Indirect infringement can be based either on a theory of inducement of infringement, *see id.* § 271(b), or contributory infringement, *see id.* § 271(c). "A method claim is directly infringed only by one practicing the patented method." *Joy Techs. Inc. v. Flakt, Inc.,* 6 F.3d 770, 775 (Fed. Cir. 1993) (emphasis omitted). At trial, Dow conceded that its infringement case against Mee was necessarily based on a theory of indirect infringement; thus in order to prevail, it needed "proof that Florida Power performed all of the elements of this claimed method,

and then that Mee either induced or contributorily infringed. . . ." (R. 194 at 890.)

In addressing the question of whether Mee adduced sufficient evidence to establish a lack of probable cause on the part of Dow in the infringement suit, we first set out the case law concerning the appropriate pre-filing investigation for a patentee to establish the necessary reasonable suspicion. Then we briefly describe Dow's claim construction and its pre-filing investigation. Next, because Mee can be liable only for indirect infringement, we identify the reasonable suspicion which Dow was required to have to justify filing its infringement suit. Finally, we evaluate whether the evidence supports the jury's determination that Mee carried its burden of proving that Dow did not entertain a reasonable suspicion that its patents were infringed on.

(1) The appropriate pre-filing investigation.

The necessary pre-filing investigation in this case turns on two considerations: Dow's claim construction and the evidence collected to inform its comparison of the alleged infringing use of Mee systems to that claim construction. The initial step for any patentee contemplating the filing of an infringement suit is to perform a reasonable claim construction. This step is rather obvious; without a clear identification of the limitations of one's own patent claim, one could not possibly make a judgment about possible

infringement. Appropriate claim interpretation should comport with the plain language of the claims, but not be inconsistent with other intrinsic evidence, such as the written description or prosecution history. *See Q-Pharma, Inc. v. Andrew Jergens Co.*, 360 F.3d 1295, 1300-01 (Fed. Cir. 2004). The patentee should then collect evidence relating to the allegedly infringing device or method that establishes a reasonable suspicion that the accused device or method meets each limitation in the claim. *See id.* at 1302; *Judin v. United States*, 110 F.3d 780, 784 (Fed. Cir. 1997); *Cambridge Products, Ltd. v. Penn Nutrients, Inc.*, 962 F.2d 1048, 1050 (Fed. Cir. 1992). The patentee should have an adequate explanation for any evidentiary shortcoming supporting its analysis. *See Judin*, 110 F.3d at 784.

The importance of adequate investigation in defending against a malicious prosecution suit is echoed in the general principles of tort law, *see* 52 Am. Jur. 2d *Malicious Prosecution* § 73 (2000) ("A person is not required to verify the correctness of all the information supporting his or her action to be protected from a malicious prosecution action, but if a reasonable person would investigate further before beginning the prosecution, the defendant in a malicious prosecution action would be liable for his or her failure to do so.") (footnotes omitted)) and more particularly, in Florida tort law, *see Harris v. Lewis State Bank*, 482 So. 2d 1378, 1382 (Fla. 1st DCA 1986) ("Where it would appear to a 'cautious man' that further investigation is justified before instituting a proceeding,

liability may attach for failure to do so, especially where the information is readily obtainable, or where the accused points out the sources of the information."); *Lee v. Geiger*, 419 So. 2d 717, 719 (Fla. 1st DCA 1982) ("Investigation . . . can be so inadequate as to constitute lack of probable cause.").

(2) Dow's claim construction and investigation

Conflicting evidence was presented to the jury on the question of how Dow actually interpreted the claims in question prior to filing suit. Dow argues that it interpreted Claim 14 of the '977 Patent and Claim 30 of the '990 Patent as having three pertinent limitations: (1) nebulized water is added at the compressor inlet, (2) the amount of water added is modified in mass flow increments, and (3) thermal stresses are sufficiently minimized to preserve the structural integrity of the turbine. Simplifying that formulation slightly, the three pertinent limitations would be: (1) wet compression, (2) using incremental changes in the amount of water added, and (3) the result that thermal stresses are sufficiently minimized to preserve the structural integrity of the turbine. Some of the testimony of the Dow witnesses supports this construction. But evidence was also presented to the jury that supports a different construction. In his opinion letter, Schramm described his conclusion as follows:

> As discussed above, the brochure of Mee [the Users Guide] describes a method of wet

> compression involving adding mass flow increments of nebulized water at the compressor inlet. And the increments are added or removed to preserve the structural integrity of the turbine. The Mee brochure explains the care that goes into determining when to step up or step down the increments of water. For example, the control system accounts for numerous ambient conditions. This, together with the fact that Mee has numerous fog systems installed nationwide, suggests that the method of adding water to the compressor in increments does not cause any significant stresses to the system. *See* the Power Engineering, February 1999 article, page 30, which states: "To date, more than fifty fog systems with inter-cooling capacity have been installed on turbines in the United States. There are no reports of compressor degradation in any of those systems. . . ." Accordingly, it is our opinion that at least Claim 30 of the 990 Patent is infringed.

The first two sentences of Schramm's discussion describe limitations for establishing infringement. First, "a method of wet compression involving adding mass flow increments of nebulized water at the compressor inlet," i.e., incremental wet compression. Second, "the increments are added or removed to preserve the structural integrity of the turbine." That second sentence can be fairly read as suggesting that the limitation in the claim was not simply *the result* that thermal stresses were minimized, thus

preserving the structural integrity of the turbine, but that the water is added in increments for *the purpose* of minimizing thermal stresses to preserve the structural integrity of the turbine. A construction with a purpose limitation is not at odds with the plain language of the claims. For instance, Claim 14 of the '977 Patent describes in pertinent part, a "method comprising the steps of: adding increasing amounts of liquid water comprising liquid droplets to the working fluid acquired by the compressor, *with the mass flow rate of the liquid droplets being increased over time to avoid destructive thermal stresses within the gas turbine. . . .*" '977 Patent, col. 29, ll. 13-18 (emphasis added). The pertinent language of the claim can be reasonably read as indicating that the purpose of incremental addition of water is to avoid destructive thermal stresses.

We believe the jury could have found Schramm's opinion letter, and any reasonable construction taken from it, particularly relevant to the issue of probable cause because Dow emphasized Schramm's analysis as key to the probable cause determination during the trial. Because Schramm's letter could be fairly read as suggesting a purpose limitation – a limitation that is not at odds with the plain language of the claims – the jury could have reasonably concluded that Dow construed the three key limitations of the claims at issue as: (1) nebulized water is added at the compressor inlet, (2) the amount of water added is modified in mass flow increments, and (3) the amount of water is modified *for the purpose* of minimizing

thermal stresses to preserve the structural integrity of the turbine.[8]

Having dealt with claim construction, we turn next to Dow's investigation of the Mee equipment. As noted above, Mee provided Dow with substantial information with respect to the fogging systems that it sold to a number of customers. The documentation contained details on the turbines at the various installations and, more particularly, on the Mee Fog

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[8] Mee argues that Miller's testimony suggested that he interpreted the claim language to require the addition of a minimum amount of water. We reject Mee's argument in this regard. Our careful review of Miller's testimony persuades us that the only fair reading of his testimony is that he did not believe that the language of the claims directed to avoiding destructive thermal stresses imported a requisite minimum amount of water. We accord little weight to the fact that Dow did suggest a claim construction that involved a requisite amount of water before the Federal Circuit in the infringement litigation. It is clear that Dow altered its claim construction at that late stage of the infringement litigation, after the district court had held that Claims 14 and 30 were invalid, in an effort to save its claims from invalidity.

We also note that the purpose limitation described above arguably runs counter to the Federal Circuit's statement in the infringement litigation in regards to Claims 23 and 24 of the '977 Patent that "[e]ven if an operator increased water over time in a Mee system for an entirely different reason [than the avoidance of thermal stresses], that would not avoid infringement. . . ." *Dow Chem.*, 341 F.3d at 1380. The question before us, however, is not the legal propriety of a purpose limitation, but instead whether, based on the evidence presented, the jury could have concluded as a matter of fact that Dow actually interpreted the claims as containing a purpose limitation.

System installed at each, including the number of fog nozzles, the number of cooling stages, the water flow rate, and the cooling potential of the system. Jasper used this data to develop a computer model of the various systems. His model demonstrated that in certain atmospheric conditions, the systems could be used to achieve wet compression. Mee also provided Dow with a Users Guide for the Mee Fog System Pump Skid Controller. The Users Guide describes the operation of a Mee Fog System. A system generally consists of a plurality of pumps (Fog Pump Units), each connected to a fixed number of nozzles, and a Pump Skid Controller. (Def. Ex. 20 at 5.) The Controller consists of a programmable logic controller (PLC), an operator interface panel (OIP), and proprietary software. (*Id.* at 1.) The Controller measures atmospheric conditions and then makes control decisions based on those conditions and various parameters entered by the user. The nozzles connected to a particular pump constitute a Fog-Cooling Stage. Each Fog-Cooling Stage has a particular cooling value associated with it, and each Fog-Cooling Stage can be operated independently. The Stages are controlled by a Cooling Stage Manager. The Cooling Stage Manager calculates the number of stages to turn on given the ambient conditions and the desired degree of cooling entered by the user. (*Id.* at 7.) The Users Manual also discusses the prospect of using the Fog System to perform overcooling. Overcooling occurs when "[t]he inlet air stream carries the unevaporated fog droplets into the compressor." (*Id.* at 6.) In other words, overcooling is synonymous with wet compression.

The foregoing evidence establishes several facts. Jasper's model indicated to Dow that Mee systems could be used to perform wet compression. Mee does not dispute this point, and in fact, Mee's Users Guide discusses and contemplates the use of Mee systems for wet compression. The Users Guide also establishes that the Cooling Stage Manager would turn on (or off) Fog-Cooling Stages in response to ambient conditions. The cycling of a Fog-Cooling Stage would incrementally increase or decrease the amount of water being added to the inlet air flow. And relevant to the preservation of the structural integrity of the turbine, Thomas Mee authored an article on the use of fogging systems for power augmentation in which he claimed that "[t]o date, more than 50 fog systems with intercooling capacity have been installed on turbines in the United States," and that "[t]here are no reports of compressor degradation in any of those systems. . . ." (Def. Ex. 35.).

(3) Mee can be liable only for indirect infringement

As noted above, Dow conceded that its infringement case against Mee was necessarily based on a theory of indirect infringement. Indirect infringement can be based either on a theory of inducement of infringement, *see* 35 U.S.C. § 271(b), or contributory infringement, *see id.* § 271(c). To prove inducement of infringement, a patentee has to demonstrate that the accused infringer had the "intent to cause the acts which constitute the infringement." *Moba B.V. v.*

Diamond Automation, Inc., 325 F.3d 1306, 1318 (Fed. Cir. 2003). "[A] finding of inducement requires a threshold finding of direct infringement – either a finding of specific instances of direct infringement or a finding that the accused products necessarily infringe." *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1322 (Fed. Cir. 2009) (internal quotation marks omitted) (alteration in original). "In order to succeed on a claim of contributory infringement, in addition to proving an act of direct infringement, plaintiff must show that defendant 'knew that the combination for which its components were especially made was both patented and infringing' and that defendant's components have 'no substantial non-infringing uses.'" *Cross Med. Prods., Inc. v. Medtronic Sofamor Danek, Inc.*, 424 F.3d 1293, 1312 (Fed. Cir. 2005) (quoting *Golden Blount, Inc. v. Robert H. Peterson Co.*, 365 F.3d 1054, 1061 (Fed. Cir. 2004)). Significantly, the absence of probable cause for the theory of direct infringement supports the conclusion of a lack of probable cause on either theory of indirect infringement because direct infringement is a prerequisite for indirect infringement. *See Dynacore Holdings Corp. v. U.S. Philips Corp.*, 363 F.3d 1263, 1277 (Fed. Cir. 2004) (finding that a party's "failure to prove direct infringement . . . necessarily dooms its allegations of indirect infringement, because absent direct infringement of the claims of a patent, there can be neither contributory infringement nor inducement of infringement" (internal quotation marks and alteration omitted)).

Because it is conceded in this case that Mee could be liable for infringement only pursuant to a theory of indirect infringement, and because the foregoing case law holds that there can be no indirect infringement in the absence of some direct infringement, it is thus clear that Dow could have no justification for filing its infringement suit against Mee unless Dow had a reasonable suspicion that one or more of Mee's customers was using Mee's equipment in an infringing manner. Accordingly, Mee, as plaintiff in this malicious prosecution case, had the burden of proving that Dow did not entertain a reasonable suspicion that any customer of Mee was using the equipment in an infringing manner.

(4) Does the record evidence support the jury's determination that Mee carried its burden of proving that Dow did not entertain the requisite reasonable suspicion?

The foregoing discussion has narrowed the issues. We have determined that Dow's justification for filing the infringement suit against Mee depends upon whether Dow had a reasonable suspicion that one or more of Mee's customers was using the equipment in an infringing manner. And by identifying a claim construction that the jury could have reasonably concluded Dow adopted, we have defined the scope of actions on the part of Mee's customers that would constitute infringement. As noted above, that claim construction consists of three main limitations:

(1) nebulized water is added at the compressor inlet, (2) the amount of water added is modified in mass flow increments, and (3) the amount of water is modified for the purpose of minimizing thermal stresses to preserve the structural integrity of the turbine. Thus, Mee's burden of proof in this case was to prove that Dow did not entertain a reasonable suspicion that any one or more of Mee's customers was using the Mee equipment in a manner that constituted incremental wet compression to avoid or minimize thermal stresses to preserve the structural integrity of the turbine.[9]

Mee argues that it satisfied this burden of proof because Dow had no knowledge with respect to the use of the equipment by Mee's customers. The record does indicate that no Dow employee ever visited a site where a Mee system was in operation.

On the other hand, Dow argues that it did have a reasonable suspicion that Mee's customers were using the equipment in an infringing manner. Dow relies upon the information provided by Mee at the parties' meeting, published articles authored by Thomas Mee, and Jasper's model. In particular, Dow argues that the Users Guide provided insight into the uses which Mee expected of its customers.

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[9] Although Claims 14 and 30 were later held invalid in the infringement litigation, we assume that, before the infringement litigation, Dow reasonably believed that its claims were valid. Indeed, Mee does not argue to the contrary in this case.

After a careful review of the Users Guide, and of the other relevant evidence in the record, we conclude that there were material issues of fact which were properly left for the jury to decide, and that a reasonable jury could have found that Dow did not have sufficient evidence to raise a reasonable suspicion that Mee's customers were using the equipment in an infringing manner. Miller conceded at trial that Jasper's model, which only established that some of Mee's systems were being used to perform wet compression, was not enough to establish the requisite reasonable suspicion for filing suit. And although the Users Guide provides both further evidence that the systems would be used to achieve wet compression and that the systems would add water incrementally, Dow conceded at trial that the use of Mee's systems for incremental wet compression alone was not a sufficient basis for infringement. Finally, Dow points to an article authored by Thomas Mee as evidence that the use of Mee Systems by the customers did not cause significant thermal stresses to their turbines. That point, however, is not sufficient to establish the requisite reasonable suspicion because, as we noted above, to constitute the requisite reasonable suspicion Dow would have had to have had some evidence that Mee's customers were not only using the equipment to accomplish incremental wet compression with the result that thermal stresses were avoided, but that the use was directed to avoiding or minimizing thermal stresses to preserve the structural integrity of the turbine.

Dow's best evidence for that limitation is the fact that its outside counsel, Schramm, may have implicitly interpreted Mee's Users Guide as evidencing an expectation on the part of Mee that its customers would use the equipment to avoid or minimize thermal stresses to preserve the structural integrity of the turbine.[10] Because Schramm's opinion letter did not explicitly assert that the Users Guide evidenced an expectation on the part of Mee that its customers would use the equipment in an infringing manner, there is an issue of fact in that regard. Thus, a reasonable jury could conclude that Schramm rendered no opinion at all with respect to whether the Users Guide provided evidence that the third limitation was met by the use of systems by Mee's customers. That would eliminate the evidence most favorable to Dow and leave little evidence in the record suggesting that Dow did entertain a reasonable suspicion that Mee's customers were using the equipment in an infringing manner. Accordingly, assuming that scenario, there is support for the jury's finding that Dow did not entertain a reasonable suspicion that Mee's customers were using the equipment in an infringing manner.

Even if the jury found that Schramm did interpret the Users Guide to evidence an expectation on the part of Mee that its customers would use the equipment not only to accomplish incremental wet

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[10] The possibility of this implicit interpretation would derive from the paragraph from Schramm's letter quoted above in Part III.A.(2) of this opinion.

compression, but also to avoid or minimize thermal stresses to preserve the integrity of the turbine, we still believe Dow's Rule 50(b) motion fails. We have carefully examined the Users Guide in the context of the entirety of the evidence. We cannot conclude that the Users Guide unequivocally evidences any such expectation on the part of Mee. We conclude that there is an issue of fact as to whether the Users Guide does evidence an expectation or intent on the part of Mee that its customers would use the equipment in a manner that would constitute infringement. In other words, a reasonable jury could find that the Users Guide was not susceptible to an interpretation evidencing such an expectation or intent on the part of Mee. And the absence of a reasonable suspicion that any customer was directly infringing on the claims supports a finding that there was an absence of reasonable suspicion that Mee was liable under either theory of indirect infringement. Accordingly, we cannot disturb the jury's verdict that neither the Users Guide nor any other evidence[11] was sufficient to give Dow a reasonable suspicion that Mee's customers were using the equipment in an infringing manner or that Mee was guilty of indirect infringement.

As we noted before, the probable cause inquiry in this case presents a close question. Probable cause,

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[11] Other evidence also supports the jury verdict – e.g., the record is clear that the Mee equipment had substantial non-infringing uses.

particularly in a civil suit, is not a high bar to meet. *Gill v. Kostroff*, 82 F. Supp. 2d 1354, 1364 (M.D. Fla. 2000) ("The standard for establishing probable cause in a civil action is extremely low and easily satisfied."). In most circumstances, we would continue to expect malicious prosecution plaintiffs to have a difficult time establishing lack of probable cause. Consequently, the grant of a Rule 50 motion in favor of a malicious prosecution defendant will often be appropriate. Under the particular circumstances of this case, however, sufficient evidence was presented to sustain the jury's finding that Dow lacked probable cause to institute a patent infringement suit against Mee.

B. Advice of Counsel

Dow next argues that the district court erred in refusing to grant its Rule 50 motion on its advice-of-counsel defense. Dow contends that it made a full disclosure of all material facts to Schramm, and that there is no evidence to the contrary. Dow also contends no evidence exists to support the conclusion that Dow believed Schramm's opinion was incorrect. This issue also presents a close question, but ultimately we conclude that the record contains sufficient evidence to support the jury's verdict.

"[A]cting on the advice of counsel is a complete defense to an action for malicious prosecution either of civil or criminal actions." *Duval Jewelry Co. v. Smith,* 136 So. 878, 880 (1931). That advice, however,

"must be sought in good faith, with the sole purpose of being advised as to the law." *Id.* It "must be predicated on a full, correct, and fair statement of all material facts bearing on the guilt of the accused, the specific proceeding complained of must have been advised by counsel, and the advice must have been acted upon in good faith under the belief that the charge was true." *Id.*

It is undisputed that Dow consulted with Schramm and that Schramm provided Dow with an opinion letter in which he concluded that Dow's patents were valid and infringed. In his letter, Schramm first considered the question of validity. He stated that he had reviewed the patent file histories, art cited by the Patent and Trademark Office, the information disclosure statements submitted to the PTO and the references cited therein, and four other references that potential licensees had brought to Dow's attention. (Pl. Ex. 117 at 1.) He also noted that he had discussed the matter with various Dow personnel. (*Id.*) In light of his research, he concluded that the patents were valid[12] and that any challenger would have a difficult time proving invalidity. (*Id.* at 2.) After concluding the patent claims were valid, Schramm turned to the question of infringement. He

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[12] Although Claims 14 and 30 were later held invalid in the infringement litigation, the record clearly indicates that both Miller and Schramm, before the infringement litigation, actually believed the patents were valid. In this case, Mee does not question that fact or the reasonableness thereof.

stated that he had reviewed various documents related to Mee's Fog System provided by Dow. (*Id.* at 2-3.) In his opinion, those documents established that Mee technology infringed on at least one claim of each patent. (*Id.* at 3.) He concluded that those documents disclosed a "method of wet compression involving adding mass flow increments of nebulized water at the compressor inlet." (*Id.* at 4.) And further, that "the increments are added or removed to preserve the structural integrity of the turbines." (*Id.*) In support of his contention that the use of Mee systems did not cause damage to the turbines, he noted that an article authored by Thomas Mee suggested that over 50 fog systems had been installed without any reports of compressor degradation. (*Id.*) Nowhere in his letter did he discuss any theories of indirect infringement.

Mee's primary argument to support the jury's verdict with respect to the advice-of-counsel defense is that the jury could have reasonably found that Dow did not rely upon Schramm's advice in good faith.[13]

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[13] Mee also argues that Dow failed to make a full, correct, and fair disclosure of the material facts to Schramm. Mee's argument in this regard is weak, and we decline to rely upon it to sustain the jury verdict. Mee argues that Miller knew that incremental wet compression was known to the prior art, and therefore Claims 14 and 30 of the Dow patents had to encompass "something more" in order to be valid. Mee argues that Dow failed to expressly advise Schramm of this fact that was known to Miller, and possibly might not have been known to Schramm. In the first place, we doubt that the fact was not known to Schramm. Second, Dow turned over the entire file, which included the prosecution history of the patents. Because

(Continued on following page)

Mee's argument in support of the jury's determination that Dow did not rely upon Schramm's opinion in good faith focuses upon the conceded fact that Mee could be liable only for indirect infringement, and that Miller and Dow were well aware of that fact. As the discussion above points out, Miller and Dow also knew that Mee could not be liable for indirect infringement unless one or more of Mee's customers were actually using the equipment in an infringing manner. Mee points out that nowhere in Schramm's letter did he explicitly discuss any theory of indirect infringement. Because Miller and Dow knew that Mee could be liable only pursuant to a theory of indirect infringement, Mee argues that this significant omission in Schramm's letter would support the jury's finding that Dow did not rely in good faith upon the Schramm opinion. The issue of good faith reliance is of course a fact question. *See Vest v. Travelers Ins. Co.*, 753 So. 2d 1270, 1275 (Fla. 2000) ("Good-faith or

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the patent files clearly revealed the material fact in question, we believe that Dow did in fact disclose to Schramm the fact that incremental wet compression with no further limitations was part of the prior art and thus unpatentable. Furthermore, Schramm's opinion letter itself reveals that Schramm knew that "something more" than incremental wet compression was required. Schramm's letter reveals that he did not conclude that there was infringement until he construed the Users Guide to indicate not only incremental wet compression but also "something more" – i.e., that the "increments are added or removed to preserve the structural integrity of the turbine." *See* the paragraph of Schramm's letter quoted above in Part III.A.(2) of this opinion.

bad-faith decisions depend upon various circumstances and usually are issues of fact to be determined by a fact-finder."). We agree with Mee that there are genuine issues of fact with respect to Dow's good faith reliance upon Schramm's opinion, and that a reasonable jury could find that Dow did not rely in good faith on the opinion.

Schramm's letter never explicitly discusses any theory of indirect infringement, a crucial point for proving liability against Mee. Dow now argues that the letter was not incompetent on this point because the letter describes the Users Guide as teaching the steps of the method and teaching a method that infringes is sufficient to state a claim for inducement of infringement. At best, the letter implicitly addresses the question of indirect infringement. Thus, we conclude that there is an issue of fact as to whether the letter actually addressed the issue of indirect infringement. If the jury concluded, as it reasonably could, that Schramm did not consider indirect infringement at all, then a reasonable jury could have concluded that Dow did not rely in good faith on the opinion, especially in light of Miller's knowledge that Mee could be liable only for indirect infringement.

Because such issues of fact do exist, we conclude that the district court properly left for the jury to decide whether Dow relied in good faith upon Schramm's legal opinion. In addition to the issue of fact pinpointed above, other less significant, but nevertheless relevant, matters bolster our conclusion that Dow's good faith reliance was a jury question.

Certain letters sent by Dow to Mee customers could indicate that Dow was not proceeding in good faith. In the infringement litigation, shortly after the district court denied Dow's motion for preliminary injunction – the district court concluded that Dow had failed to demonstrate a likelihood of success on the merits – Dow sent letters to Mee customers alerting them about the lawsuit, and advising them that they might also be infringing Dow's patents. Although such letters may not be unusual and do serve a legitimate purpose, the particular timing of these letters, coming as they did after the district court had already told Dow that it had failed to show a likelihood of success, could have led the jury to conclude that Dow's purpose was not to vindicate its legitimate patent rights, but instead to cause Mee financial harm. As we noted, such letters will often serve a legitimate purpose, and standing alone the letters would not be sufficient to support the argument that Dow did not rely on Schramm's advice in good faith. We conclude only that, given the particular circumstances and timing of these letters, the jury could properly have considered them alongside other stronger evidence indicating a lack of good faith.

As with probable cause, whether Dow exercised good faith reliance on Schramm's opinion is a close question. Although reliance on advice of counsel is not an absolute defense to a claim of malicious prosecution, *Wright,* 446 So. 2d at 1167, it is an effective defense when the client makes "a full, correct, and fair statement of all material facts" and

then acts on counsel's advice in good faith under the belief that the charge was true, *Duval Jewelry*, 136 So. at 880. But that is not this case. In this case, Dow possessed extensive knowledge of the background technology, the history of its patents, and issues of patent law such that a reasonable jury could find that Dow knew that Schramm's advice was deficient. In that situation, the jury could have reasonably concluded that Dow did not rely in good faith on Schramm's advice in filing the infringement suit.

C. Punitive Damages

Mee argues that the district court erred by granting Dow's Rule 50(a) motion on the issue of punitive damages because it presented sufficient evidence to place the issue before the jury. Under Florida law, "[a] defendant may be held liable for punitive damages only if the trier of fact, based on clear and convincing evidence, finds that the defendant was personally guilty of intentional misconduct or gross negligence." Fla. Stat. § 768.72(2) (2005). In order to demonstrate intentional misconduct, the plaintiff must show "the defendant had actual knowledge of the wrongfulness of the conduct and the high probability that injury or damage to the claimant would result and, despite that knowledge, intentionally pursued that course of conduct, resulting in injury or damage." *Id.* § 768.72(2)(a). In order to demonstrate gross negligence, the plaintiff must show "the defendant's conduct was so reckless or wanting in care that it constituted a conscious disregard or indifference to

the life, safety, or rights of persons exposed to such conduct." *Id.* § 768.72(2)(b). Although malice is an element of malicious prosecution, a jury verdict for a plaintiff in a malicious prosecution suit does not by itself automatically establish a right to punitive damages. *Louis v. Costco Wholesale Corp.*, 719 So. 2d 1226, 1228 (Fla. 4th DCA 1998) ("While an absence of probable cause can result in a finding of legal malice, legal malice, based solely on the absence of probable cause, is insufficient to support an award of punitive damages.").

In this case, the clear and convincing standard of proof required under §768.72 is determinative. Although sufficient evidence was presented to place the issues of probable cause and advice of counsel before the jury, the closeness of those issues confirms that the evidence is insufficient to allow a reasonable juror to find by the clear and convincing standard that Dow could be liable for punitive damages. That being the case, it was not error for the district court to grant Dow's Rule 50(a) motion on that issue.

D. Exclusion of Loss of Goodwill Damages

The final issue is whether the district court erred by excluding evidence relating to Mee's proposed theory of damages based on loss of goodwill. The district court excluded Mee's loss of goodwill damages theory based on lack of notice in the required Rule 26 disclosures and the interrogatories of both the theory and the calculation of damages.

Rule 37(c) of the Federal Rules of Civil Procedure provides for sanctions against a party that fails to disclose information required under Rule 26(a) or (e). Specifically, the rule states that:

> If a party fails to provide information or identify a witness as required by Rule 26(a) or (e), the party is not allowed to use that information or witness to supply evidence on a motion, at a hearing, or at a trial, unless the failure was substantially justified or is harmless.

Fed. R. Civ. P. 37(c)(1). Disclosures required under Rule 26(a) include "a computation of each category of damages claimed by the disclosing party." Fed. R. Civ. P. 26(a)(1)(A)(iii). Rule 26(e) requires parties to supplement disclosures made under Rule 26(a) or through responses to interrogatories or requests for production "if the party learns that in some material respect the disclosure or response is incomplete or incorrect, and if the additional or corrective information has not otherwise been made known to the other parties during the discovery process or in writing." Fed. R. Civ. P. 26(e)(1)(A).

In this case, the district court's findings are supported by the record. Mee's initial disclosure did not include "loss of goodwill" as a category of damages. During discovery, Dow propounded an interrogatory in which Mee was asked to identify any other claims of damages beyond the alleged lost sale to Munters and the attorneys' fees and costs in defending the underlying action. In its response, Mee failed to

identify "loss of goodwill" as a category of damages. Mee did not enumerate "loss of goodwill" as a category of damages until the Joint Pretrial Statement. Moreover, Mee never provided Dow a calculation for its alleged loss of goodwill damages.

The district court did not abuse its discretion in concluding disclosure was required under Rule 26 and that Mee's failure to meet the Rule 26 requirements was not substantially justified or harmless. Mee argues that its failure to disclose loss of goodwill as a category of damages is excused under Rule 26(e) because by adverting to the lost sale of the shareholders' stock to Munters, the information had been "otherwise . . . made known." Although there may be evidentiary overlap between the alleged lost sale and a claim of loss of goodwill, considerable differences exist between the two theories. A loss of goodwill claim compensates for harm to the value of the business as an ongoing concern and involves complex financial calculations, both before and after the infringement suit. The district court did not abuse its broad discretion in rebuffing Mee's belated effort to introduce a new category of damages, especially in light of its failure to ever present the required computation of alleged good will damages and the complexity of the financial calculations that would have required expert testimony. Mee also argues that sanction under Rule 37(c) was not warranted because its failure to provide a damage calculation was harmless. Because calculating the goodwill of a business and the harm to that goodwill that flows from a

particular lawsuit will often involve complex financial calculations, the district court did not abuse its discretion in finding that Mee's failure to provide a damage calculation was not harmless. *See Design Strategy, Inc. v. Davis*, 469 F.3d 284, 293-97 (2d Cir. 2006) (upholding exclusion of lost profits evidence based on lack of notice or computation of damages). On the facts of this case, the district court did not abuse its discretion by excluding Mee's loss of goodwill theory of damages.

IV. CONCLUSION

We affirm the district court in all respects. Because sufficient evidence supported the jury's conclusions that Dow filed the patent infringement suit without the requisite probable cause and did not rely in good faith on the advice of counsel, the district court did not err in refusing to grant Dow's Rule 50(b) motion on those issues. The evidence, however, was not sufficient to meet the clear and convincing standard required for an award of punitive damages; therefore, the district court did not err in granting Dow's Rule 50(a) motion on that issue. Finally, the district court did not err in excluding Mee's loss of goodwill theory of damages.

AFFIRMED.

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
ORLANDO DIVISION

MEE INDUSTRIES,

Plaintiff,

-vs-

DOW CHEMICAL COMPANY,

Defendant.

Case No. 6:05-cv-1520-Orl-31DAB

ORDER

(Filed Oct. 31, 2008)

This matter comes before the Court on the Renewed Motion for Judgment as a Matter of Law or, in the Alternative, Motion for a New Trial (Doc. 211) filed by the Defendant, Dow Chemical Company ("Dow"), the response (Doc. 214) filed by the Plaintiff, Mee Industries ("Mee"), and sur-replies (Doc. 217, 221) filed by both parties.

I. Background

In the instant case, Mee sued Dow for malicious prosecution. In the underlying action, *Dow Chemical Company v. Mee Industries*, Case No. 6:00-cv-437-ORL-31DAB (the "Patent Case"), Dow sued Mee and Florida Power Corporation ("Florida Power"), contending that water misting systems sold by Mee to Florida Power (and others) were being used to infringe two Dow patents: U.S. Patent No. 5,930,990

(the "'990 Patent") and U.S. Patent No. 5,867,977 (the "'977 Patent"). The patents were directed to increasing the power output of gas turbines. Both involved methods for adding water to a turbine's air stream in large-enough quantities that at least some water would not evaporate before entering the compressor, creating an effect known as "wet compression."

After extensive litigation, including a six-day bench trial before the undersigned and an appeal to the United States Court of Appeals for the Federal Circuit, Mee and Florida Power prevailed. The majority of the patent claims asserted by Dow were found to be invalid. As to the remainder, Mee was found not to have infringed them, or contributed to (or induced) infringement of them by others.[1]

Mee filed this malicious prosecution action in 2005, contending that Dow lacked probable cause or legal justification for bringing the Patent Case. The action proceeded to trial before a jury. At the close of all the evidence, Dow moved for judgment as a matter of law, which was denied. The jury found in favor of Mee, concluding that Dow had instituted the Patent Case without probable cause and had not relied on advice of counsel in doing so. (Doc. 184 at 1-2). Dow now renews its request for judgment as a matter of law. In the alternative, Dow seeks a new trial.

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[1] Florida Power was also found not to have infringed the patents.

II. Legal Standards

A. Judgment as a Matter of Law

Rule 50(a) of the Federal Rules of Civil Procedure provides that, if a party has been fully heard on an issue and the court finds that a reasonable jury would not have a legally sufficient evidentiary basis to find for the party on that issue, the court may resolve the issue against the party and grant a motion for judgment as a matter of law against the party on a claim or defense that requires a favorable finding on the issue. Rule 50(b) provides in pertinent part that if the court does not grant a party's Rule 50(a) motion, it is considered to have submitted the action to the jury subject to the court's later deciding it, and the movant is permitted to renew the motion within 10 days after the entry of judgment.

In considering a defendant's renewed motion for judgment as a matter of law, the court should review all of the evidence in the record; in doing so, however, the court is required to draw all reasonable inferences in favor of the nonmoving party, and it may not make credibility determinations or weigh the evidence. *Reeves v. Sanderson Plumbing Products, Inc.*, 530 U.S.133, 150, 120 S.Ct. 2097, 2110, 147 L.Ed.2d 205 (2000). "Thus, although the court should review the record as a whole, it must disregard all evidence favorable to the moving party that the jury is not required to believe." *Id.* at 151, 120 S.Ct. at 2110. Even though the trial judge might have reached a different conclusion had he been the trier of fact, he is

not free to reweigh the evidence or to re-evaluate credibility of witnesses. *Hiltgen v. Sumrall*, 47 F.3d 695, 700 (5th Cir. 1995).

B. New Trial

A renewed motion for judgment as a matter of law may be joined, in the alternative, with a motion for a new trial under Rule 59. Fed.R.Civ.P. 50(b). Rule 59(a)(1) provides that after a jury trial a new trial may be granted to all or any of the parties on all or part of the issues "for any of the reasons for which new trials have heretofore been granted in actions at law in the courts of the United States."

A movant is entitled to a new trial under Rule 59 when the verdict is against the great, not merely the greater, weight of the evidence. *Williams v. City of Valdosta*, 689 F.2d 965, 973 (11th Cir. 1982). To make this determination, the trial judge must independently weigh the evidence favoring the jury verdict against the evidence in favor of the moving party. *Id.* (citing *Rabun v. Kimberly-Clark Corp.*, 678 F.2d 1053, 1060 (11th Cir. 1982)). A trial judge should not substitute his own credibility choices and inferences for the reasonable credibility choices and inferences made by the jury. *Williams* at 973 n.7 (11th Cir. 1982). In cases involving simple issues, highly disputed facts, and an absence of "pernicious occurrences," the Court has less freedom to disturb a jury verdict than it does in cases involving complex issues, facts not highly disputed, and events arguably marred by error. *Id.*

(citing, among others, *Conway v. Chemical Leaman Tank Lines, Inc.*, 610 F.2d 360, 362 (5th Cir. 1980)).

C. Malicious Prosecution

To prevail in a malicious prosecution action under Florida law, a plaintiff must establish that:

> (1) an original criminal or civil judicial proceeding against the present plaintiff was commenced or continued; (2) the present defendant was the legal cause of the original proceeding against the present plaintiff as the defendant in the original proceeding; (3) the termination of the original proceeding constituted a bona fide termination of that proceeding in favor of the present plaintiff; (4) there was an absence of probable cause for the original proceeding; (5) there was malice on the part of the present defendant; and (6) the plaintiff suffered damage as a result of the original proceeding.

Alamo Rent-A-Car v. Mancusi, 632 So. 2d 1352, 1355 (Fla. 1994). "[T]he failure of a plaintiff to establish any one of these six elements is fatal to a claim of malicious prosecution." *Id.*

III. Analysis

A. Motion for Judgment as a Matter of Law

It is undisputed that the first three elements of a malicious prosecution action were met in this case: A civil proceeding (i.e., the Patent Case) was

commenced against Mee, Dow was the legal cause of that proceeding, and Mee prevailed. And, at least for purposes of this motion, Dow does not challenge the jury's finding as to malice. Finally, Dow stipulated prior to trial that Mee suffered damages, in the form of attorney's fees, in defending the Patent Case. Therefore, to establish its entitlement to judgment on the malicious prosecution claim, Dow must demonstrate that no reasonable jury could have found that it lacked probable cause to institute the Patent Case. In the alternative, Dow argues that no reasonable jury could have found against it on the advice-of-counsel affirmative defense it asserted at trial.

1. Probable Cause

Under Florida law, probable cause for instituting suit is defined as "a reasonable ground of suspicion, supported by circumstances sufficiently strong in themselves to warrant a cautious man in the belief that the person accused is guilty of the offense with which he is charged." *Goldstein v. Sabella*, 88 So. 2d 910, 911 (Fla. 1956) (citing *Dunnavant v. State*, 46 So. 2d 871, 874 (Fla. 1950)). Probable cause is measured by a lesser standard in the context of a civil suit than it is in a criminal suit. *Wright v. Yurko*, 446 So. 2d 1162, 1166 (Fla. 5th DCA 1984). "To establish probable cause, it is not necessary to show that the instigator of a lawsuit was certain of the outcome of the proceeding, but rather that he had a reasonable belief, based on facts and circumstances known to him, in the validity of the claim."

In the Patent Case, Mee eventually prevailed on two different bases: Some claims were found to be invalid. As to the others, the Court found that Dow had not produced evidence of direct infringement by Mee or Florida Power, or of contributory infringement or inducement of infringement by Mee. In the instant proceedings, Mee has not argued that Dow lacked probable cause to file the Patent Case because it knew or should have known its claims were invalid. For purposes of this motion, the probable cause issue turns on whether Dow had a reasonable belief, based on the facts and circumstances known to it at the time of filing, that its patents were being infringed.

Dow argues that the evidence at trial so overwhelmingly favored it on this point that no reasonable jury could have found against it. Dow points to four items: (1) the fact that it obtained legal opinions from in-house and outside attorneys prior to filing; (2) the fact that its internal Litigation Review Committee ("LRC") vetted the proposed suit before it was filed; (3) evidence that allegedly showed that Mee believed it might be infringing; and (4) some decisions made by this Court in the Patent Case that, in Dow's view, support a finding that it possessed probable cause to bring suit. (Doc. 211 at 8).

Tellingly, the first two items Dow cites as "evidence" are not evidence at all. Rather, they are conclusions reached by individuals on Dow's payroll – *i.e.*, in-house and outside counsel, and the members of

the LRC – that probable cause to bring suit existed.[2] And the Patent Case decisions upon which Dow seeks to rely – denials of multiple motions for summary judgment and a motion for attorney's fees – are also of no assistance to Dow here.

It is true that, for purposes of a malicious prosecution case, a court's decisions in an underlying case may sometimes indicate that the original plaintiff possessed probable cause. *See, e.g., Yurko,* 446 So. 2d at 1167. However, Dow makes no showing that this principle is applicable here. Dow never even attempts to identify the issues that were addressed on summary judgment in the underlying case or how those issues might be relevant to the question of infringement. The Court's *sua sponte* review of those summary judgment motions suggests that they had no such relevance. For example, one of them addressed the issue of whether Dow's patents met the "best mode" and "enablement" requirements of 35 U.S.C. § 112, while another was concerned with the issue of whether Dow had engaged in inequitable conduct while prosecuting its patent applications. (Doc. 120, Doc. 96 in Case No. 6:00-cv-437-GAP). Neither of

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[2] In its memorandum, Dow cites to trial testimony from some of these individuals as to the research underlying their conclusions, such as the places they visited and the documents they reviewed. (Doc. 211 at 9-10). However, Dow never describes any particular *evidence* – such as, for example, facts discovered on those visits or in those documents – that could reasonably have been relied upon to support a belief that Mee's systems were being used to infringe Dow's patents.

these motions had implications as to the issue of infringement. In addition, the differing burdens of proof in the Patent Case and in this action[3] undercut the notion that decisions from the first case are dispositive or strongly suggestive of the proper result here.

This leaves the evidence that allegedly indicates that Mee thought it was infringing Dow's patents. According to Dow, this evidence consisted of the following three items: the fact that Mee attempted to obtain an exclusive license from Dow, the fact that Mee's counsel proposed ways that Mee could "avoid" Dow's claims, and the fact that Thomas Mee wrote to his lawyer that "we are going to have to face the Dow patent issue sometime soon . . . [e]ven if we only negotiate favorable terms for a license." (Doc. 211 at 10). Even if Dow had been aware of these items prior to filing – which does not appear to be the case as to the second and third – they certainly do not establish a belief on Mee's part that it was infringing. Any prudent (and non-infringing) business owner in Mee's position – accused of infringement by a competitor with effectively bottomless pockets, faced with the prospect of spending a million dollars or more to

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[3] As an example, as noted in this Court's order of January 10, 2008, malicious prosecution is a state tort requiring proof of malice by a preponderance of the evidence. In contrast, patent law requires clear and convincing evidence that a case was so exceptional as to qualify for an award of attorney's fees pursuant to 35 U.S.C. § 285. (Doc. 100 at 5-6).

successfully defend an infringement suit – would likely explore the possibility of making the problem go away more economically by securing a license. And advice from a lawyer as to how one might abide by the law is hardly proof that one is currently violating the law.

It is not even clear that these three items (and the inferences that could reasonably be drawn from them) *could* constitute "circumstances sufficiently strong in themselves to warrant a cautious man in the belief" that Mee Industries was infringing. But they clearly are not such strong evidence as to *compel* a finding in Dow's favor on this point. The jury was simply not required to accept the inferences that Dow seeks to have drawn from these three items.

Ample evidence supports the jury's conclusion on the issue of probable cause. First, it should be noted that Dow's claimed invention involved the addition of nebulized water to the compressor of a combustion turbine – *i.e.*, wet compression – in increments and in such a manner as to avoid certain harmful results (destructive thermal stresses in one patent, deformation of the angular housing in the other). Incremental wet compression itself was admittedly prior art and not patentable by Dow.[4] Thus, for Mee to be liable for inducing or contributing to infringement of these method patents, Dow needed to show that at

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[4] Indeed, as discussed below, Dow's applications for such a patent were rejected by the USPTO.

least one of Mee's customers was actually doing something more than just incremental wet compression.

Prior to the filing of the Patent Case, Mee provided Dow with a list of its customer installations. (Doc. 193 at 9). But Dow made no effort to ascertain whether any of these customers actually used Mee's equipment in a manner that would infringe the patents. Rather, Dow simply had Steve Jasper, one of its engineers, calculate that under certain temperature and humidity conditions, Mee's customers could be using the equipment to accomplish wet compression. (Pl. Exh. 277). But this misses the mark. Even if Mee's customers were using the equipment for wet compression, that was old technology and unpatentable. Jasper, among others, admitted as much at trial. (Doc. 193 at 16-17). In its research prior to filing the Patent Case, and indeed throughout the trial in that case, Dow never produced any evidence that the limitations of the claims at issue had been met by the use of any of Mee's equipment. And this fact is more than sufficient to support the jury's verdict on this point.

The Court finds no error in the jury's determination that Dow lacked probable cause to bring the Patent Case.[5]

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[5] Dow also argues that the question of probable cause is a legal issue to be decided by the judge and that the Court erred by submitting it to the jury. However, Dow waived this issue by

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2. Advice of counsel

Generally speaking, good-faith reliance on the advice of counsel in instituting a criminal or civil action is a complete defense to a subsequent action for malicious prosecution. *Duval Jewelry Co. v. Smith*, 136 So. 878, 880 (Fla. 1931). The fact that the attorney's advice was unsound or erroneous will not affect the result. *Id.*

> The advice of counsel cannot be sought or secured as a shield from a feigned action for malicious prosecution or as a cloak to hide malice, but it must be sought in good faith, with the sole purpose of being advised as to the law. The advice of counsel must be predicated on a full, correct, and fair statement of all material facts bearing on the guilt of the accused, the specific proceeding complained of must have been advised by counsel, and the advice must have been acted upon in good faith under the belief that the charge was true.

Id.

The jury in this case was asked whether, "[b]efore filing the patent infringement case against Mee, Dow

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failing to object to the jury instructions and verdict form. Fed.R.Civ.P. 51(d)(1)(A). The Court also notes that Dow has not identified any particular factual issues that should have been resolved by the jury so that the Court could resolve the legal issue of probable cause. Moreover, to the extent that the issue should have been resolved by the Court, rather than the jury, the undersigned would have reached the same conclusion.

in good faith sought the advice of a lawyer, gave the lawyer a full, correct, and fair statement of what it knew, and reasonably relied on the lawyer's advice in filing the case." (Doc. 184 at 2). The jury answered in the negative. (Doc. 184 at 2). Dow contends that the record at trial admitted only one conclusion: that the jury was wrong, and that Dow relied in good faith on the advice of counsel in bringing the Patent Case.

It is undisputed that Dow consulted an outside attorney – William Schramm ("Schramm") – who provided an opinion letter in which he opined that Dow's patents were valid and being infringed.[6]

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[6] In support of the advice-of-counsel defense, Dow also points to similar opinions rendered by its in-house counsel before Schramm's opinion was sought. However, contrary to Dow's representations, the law is not clear that a corporation or similar entity can rely on its own employees to establish an advice of counsel defense. The one Florida case cited by Dow for this proposition – *Toomey v. Tolin*, 311 So. 2d 678 (Fla. 5th DCA 1975) – involves a police department with a separate legal department, somewhat different than the situation at a business that employs numerous patent attorneys and is deciding whether to sue a competitor. More importantly, the *Toomey* court never addressed the issue of whether in-house counsel could properly be relied on to establish an advice-of-counsel defense, because no one raised it. Rather, the court was called on to decide whether advice of counsel could provide a defense to a false arrest claim, as opposed to its more traditional application to a malicious prosecution claim. *Id.* at 680. The fact that the advice had been provided by police department counsel rather than an outside attorney never came up.

The second case relied on by Dow, *Western Elec. Co. v. Stewart-Warner Corp.*, 631 F.2d 333 (4th Cir. 1980), was a patent case, not a malicious prosecution case. In *Stewart-Warner*, the

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Schramm eventually filed and litigated the Patent Case on Dow's behalf. However, after a careful review of the record, the Court finds no error in the jury's determination that Dow is not entitled to judgment in its favor on its advice-of-counsel defense. As Dow puts it in its brief, "the proper inquiry here is whether Dow chose Schramm in good faith and whether it had reason to believe that the advice of the lawyers, including Schramm, was unsound." (Doc 211

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court had to assess whether an infringer's reliance on its in-house counsel's advice in raising certain defenses was so absurd as to warrant increased damages and an award of attorney's fees. Obviously, this is entirely different from the question of whether such advice can itself establish a defense to the tort of malicious prosecution.

In the final case cited by Dow, *Shea v. Chase Manhattan Bank, N.A.*, 781 A.2d 352 (Conn. App. 2001), the defendant bank relied on both in-house counsel and outside counsel in deciding to bring the underlying suit. As such, the *Shea* court had no need to decide whether reliance on the advice of in-house counsel, alone, would be enough to establish the defense.

In addition to the shortcomings in the precedent it cites, Dow has not pointed to anything in the opinions offered by its in-house attorneys that would make them more useful or reliable than Schramm's opinion in establishing its defense. Dow has not shown that the opinions of its in-house counsel were based on any information unknown to Schramm, or that the in-house counsel reached a conclusion materially different than that reached by Schramm. The testimony at trial was that the opinions of Dow's in-house counsel were at most the starting points for Schramm's opinion, and that Schramm's opinion was the product of the most extensive research. As such, in determining whether Dow is entitled to judgment on its advice of counsel defense, the Court will not consider the advice offered by Dow's in-house counsel.

at 17). Based on the evidence presented at trial, the jury could have reasonably concluded that Dow had reason to believe its lawyers' advice was not sound.

Dow's William Miller ("Miller"), an experienced patent attorney, had shepherded the applications through the Patent Office that resulted in the issuance of the '930 Patent and the '977 Patent. Miller, who served as the "point man" at Dow for prosecution of the patent applications, had been involved in the initial drafting of the claims and the filing of the applications, and had "lived and breathed" with the claims for "quite some period of time." As a result, he was "intimately familiar with the language of the claims." (Doc. 195 at 67). He knew that, in prosecuting the '930 Patent and the '977 Patent, Dow had repeatedly tried to claim a method for performing wet compression by way of an incremental addition of water, with no further limitations, and he knew that the patent examiners had refused to allow the claim on the grounds that this method (henceforth, "incremental wet compression") had been disclosed in prior art. (Doc. 194 at 92-107). Miller was therefore aware that incremental wet compression alone would not infringe the Dow Patents, and that something more was required. (Doc. 195 at 83).

Miller (and through him, Dow) knew that Mee's equipment could be used in ways that did not infringe its patents. For example, it could be used for evaporative cooling, in which all of the added water is evaporated prior to its being drawn into the compressor. (As noted above, "wet compression" occurs when

unevaporated water enters the compressor.) Miller knew that when Dow first contacted Schramm, the company had no evidence that Mee or its customers were performing anything more than incremental wet compression. (In fact, a fair reading of the solicitation letter from Miller at least arguably suggests that the company wanted Schramm's opinion as to the validity of its patents, only, not their possible infringement by Mee.) Miller was aware that Dow had not attempted to obtain this evidence by such means as, for example, contacting any of Mee's customers (using the list that Mee had provided) to inquire as to the methods they were employing when using Mee's equipment.[7] And Miller knew that Schramm did not obtain any evidence that Mee or its customers were engaging in something more than incremental wet compression.

In his opinion letter, Schramm opined that "at least claim 30 of the '990 Patent[8] is infringed," based

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[7] Dow did, on the other hand, employ the list for another purpose. Shortly after filing the Patent Case, Dow sent letters to Mee's customers, warning them that they themselves might face an infringement suit for using Mee's equipment – despite a lack of evidence that any of these customers were performing Dow's patented methods. (Doc. 194 at 57-60; Doc. 195 at 84-85).

[8] Claim 30 of U.S. Patent No. 5,930,990 read as follows:

> A wet compression power augmentation method for adding nebulized water to a gas turbine, said gas turbine having a housing and a compressor, said compressor having a compressor inlet, comprising:
>
> nebulizing water in said compressor inlet; and
>
> adding water to modify said nebulized water in a plurality of nebulized water mass flow increments such

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solely on two things: that the Mee sprayer-control system "accounts for numerous ambient conditions" and that "Mee has numerous fog systems installed nationwide." Together these two things suggested to Schramm "that the method of adding water to the compressor in increments does not cause any significant thermal stresses to the system." (Pl Exh. 117). However, suggesting that the additional water does not *cause* thermal stresses is a far cry from suggesting that the water was added for the *purpose* of avoiding thermal stresses, as claim 30 required. The evidence showed that the water could be incrementally increased for other purposes, such as to maintain complete evaporation for evaporative cooling in the face of changing humidity and temperature conditions outside the turbine. Or the total volume of water added (in increments or otherwise) might be small enough so that wet compression was accomplished with no possibility of creating such problems as destructive thermal stresses, mooting any possibility that the water was being added incrementally for the *purpose* of avoiding such problems.

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that operationally-induced thermal stresses within said gas turbine due to the ingestion and evaporation in whole or in part of said nebulized water are sufficiently minimized to preserve structural integrity in said gas turbine.

Schramm's infringement opinion as to claim 5 of the '977 Patent[9] was similarly lacking. The claimed method required operation for a certain minimum time period – "about 4 hours" – and with a sufficiently uniform distribution of the water to limit angular deformation of the housing. In his opinion letter Schramm relied on evidence that the Mee system produced uniform distribution of water and did not cause angular deformation of the housing,

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[9] Claim 5 of U.S. Patent No. 5,867,977 read as follows:

A method for augmenting the net output of an industrial gas turbine characterized in operation by periods of continuous use exceeding about 4 hours in length in driving a generator or compressor, the industrial gas turbine having an axial-flow multistage compressor having an inlet for acquiring a working fluid comprising air, said axial-flow multistage compressor having a housing, the method comprising the steps of:

providing liquid water comprising liquid droplets to the working fluid acquired by the axial-flow compressor to reduce the temperature increase of the working fluid caused by compression to achieve an increase in the net output of the industrial gas turbine available to drive said generator or compressor as measured against the net output of the industrial gas turbine under comparable conditions but without liquid water provided,

said method including the further step of insuring a sufficiently uniform distribution of liquid water in the working fluid to limit angular deformation of the housing to a generally predetermined acceptable limit that prevents damage to the axial-flow multistage compressor.

but pointed to nothing that suggested that it was being done *for this purpose*. (Pl Exh. 117).

There was evidence produced at trial that Dow considered Mee a competitor that should either be forced to ether pay Dow for a license or get out of the market for power augmentation technology. (Doc. 194 at 50; Doc. 195 at 70). At least arguably, Dow took several steps primarily if not entirely for the purpose of causing financial harm to Mee. For example, Dow chose to sue the California-based Mee in Florida, rather than in one of numerous other states in which Mee had customers – and with absolutely no evidence that Florida Power was even using Mee's equipment for wet compression. (When asked why Dow chose to sue in what appeared to be the most expensive possible forum for Mee, Dow's witnesses were unable to articulate a compelling reason.) Dow also sent warning letters to the rest of Mee's customers after filing the Patent Suit, informing them that they might face an infringement suit for using Mee's equipment. (Doc. 194 at 57-60; Doc. 195 at 84-85). Obviously, the jury was free to accept Dow's explanations that these were entirely legitimate steps, done with no ulterior motive. However, the jury could also have interpreted them as tactics employed for the purpose of ratcheting up the economic pressure on Dow's much smaller competitor so as to force it out of the power augmentation market, regardless of whether any infringement was occurring.

A reasonable jury, combining the evidence suggesting Dow's commercial motivations with Miller's

knowledge that the company never possessed (and Schramm never acquired) any evidence of infringement, could have concluded that Dow knew that Schramm's advice was unsound, but did not care. As such, the jury could properly have rejected Dow's advice-of-counsel defense.

B. New Trial

Dow argues that if the probable cause and advice-of-counsel issues raised above are not enough to warrant judgment as a matter of law, they meet the lesser standard required to obtain a new trial. After reviewing the record, the Court does not find that those issues were decided against the great weight of the evidence or otherwise require a new trial.

Dow also argues that a new trial is required because the closing remarks by counsel for Mee were inappropriately inflammatory, referring to Dow as an "800-pound gorilla" out to crush an annoying "cockroach". The Court disagrees, particularly in light of the fact that the Mee-as-cockroach reference came from one of Dow's internal emails. Dow also complains of certain alleged misstatements of the law made by counsel for Mee in closing, but the Court finds that the statements were neither erroneous nor prejudicial. In addition, Dow did not make a timely objection to these statements, and the Court's instructions clearly admonished the jurors that what the lawyers say is not evidence (Doc. 178 at 4) and

that the applicable law would be explained by the Court (Doc. 178 at 2-3).

In consideration of the foregoing, it is hereby

ORDERED that the Renewed Motion for Judgment as a Matter of Law or, in the Alternative, Motion for a New Trial (Doc. 211) is **DENIED.**

DONE and **ORDERED** in Chambers, Orlando, Florida on October 31, 2008.

/s/ Gregory A. Presnell
GREGORY A. PRESNELL
UNITED STATES
DISTRICT JUDGE

Copies furnished to:

Counsel of Record
Unrepresented Party

IN THE UNITED STATES COURT OF APPEALS
FOR THE ELEVENTH CIRCUIT

No. 08-16747-CC

MEE INDUSTRIES,
A foreign corporation,

Plaintiff-Appellant-
Cross-Appellee,

versus

DOW CHEMICAL COMPANY,
A foreign corporation,

Defendant-Appellee-
Cross-Appellant.

On Appeal from the United States District Court
for the Middle District of Florida

(Filed Aug. 4, 2010)

BEFORE: MARCUS, FAY and ANDERSON, Circuit Judges.

PER CURIAM:

The petition(s) for rehearing filed by Appellee/ Cross-Appellant is DENIED.

ENTERED FOR THE COURT:

/s/ R. Lanier Anderson, III
UNITED STATES
CIRCUIT JUDGE

ORD-41

Fla. Stat. § 768.72. Pleading in civil actions; claim for punitive damages

(1) In any civil action, no claim for punitive damages shall be permitted unless there is a reasonable showing by evidence in the record or proffered by the claimant which would provide a reasonable basis for recovery of such damages. The claimant may move to amend her or his complaint to assert a claim for punitive damages as allowed by the rules of civil procedure. The rules of civil procedure shall be liberally construed so as to allow the claimant discovery of evidence which appears reasonably calculated to lead to admissible evidence on the issue of punitive damages. No discovery of financial worth shall proceed until after the pleading concerning punitive damages is permitted.

(2) A defendant may be held liable for punitive damages only if the trier of fact, based on clear and convincing evidence, finds that the defendant was personally guilty of intentional misconduct or gross negligence. As used in this section, the term:

(a) "Intentional misconduct: means that the defendant had actual knowledge of the wrongfulness of the conduct and the high probability that injury or damage to the claimant would result and, despite that knowledge, intentionally pursued that course of conduct, resulting in injury or damage.

(b) "Gross negligence" means that the defendant's conduct was so reckless or wanting in care that it constituted a conscious disregard or

indifference to the life, safety, or rights of persons exposed to such conduct.

(3) In the case of an employer, principal, corporation, or other legal entity, punitive damages may be imposed for the conduct of an employee or agent only if the conduct of the employee or agent meets the criteria specified in subsection (2) and:

(a) The employer, principal, corporation, or other legal entity actively and knowingly participated in such conduct;

(b) The officers, directors, or managers of the employer, principal, corporation, or other legal entity knowingly condoned, ratified, or consented to such conduct; or

(c) The employer, principal, corporation, or other legal entity engaged in conduct that constituted gross negligence and that contributed to the loss, damages, or injury suffered by the claimant.

(4) The provisions of this section shall be applied to all causes of action arising after the effective date of this act.